WINSHINE
中國瀛晟

Winshine Entertainment & Media Holding Company Limited
中 國 瀛 晟 娛 樂 傳 媒 控 股 有 限 公 司

(formerly known as CHINA TYCOON BEVERAGE HOLDINGS LIMITED 中國大亨飲品控股有限公司*)
(Incorporated in Bermuda with limited liability)

Stock Code: 209

ANNUAL REPORT 2014

* For identification purpose only

CONTENTS

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Winshine Entertainment & Media Holding Company Limited (formerly known as "China Tycoon Beverage Holdings Limited")
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, excluding Hong Kong and Macau
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cents"	Hong Kong dollars and cents
"RMB"	Renminbi
"US$"	United States dollars
"%"	per cent.

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Feng *(Chairman)**
Ms. Liu Ying *(Acting Chief Executive Officer)*
Mr. Zhang Jack Jiyei *(Chief Financial Officer)*
Mr. Wu Jiang

Non-executive Directors

Mr. Lo Ming Chi, Charles
Ms. Chan Yuk Yee**

Independent Non-executive Directors

Mr. Li Fang
Ms. Yang Qinyan
Mr. Wong Kwok Tai

AUDIT COMMITTEE

Mr. Li Fang *(Chairman)*
Ms. Yang Qinyan
Mr. Wong Kwok Tai

REMUNERATION COMMITTEE

Ms. Yang Qinyan *(Chairman)*
Mr. Li Fang
Mr. Wong Kwok Tai

NOMINATION COMMITTEE

Mr. Li Fang *(Chairman)*
Ms. Yang Qinyan
Mr. Wong Kwok Tai

COMPANY SECRETARY

Mr. Lau On Kwok

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 209)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1510, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Guangdong Development Bank Zhongshan Branch
Fubon Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.winshine.hk
http://www.tricor.com.hk/webservice/000209

* *re-designated from the Acting Chairman to the Chairman of the Board on 8 April 2015.*
** *resigned on 8 April 2015.*

Chairman's Statement

BUSINESS REVIEW

During the year under review, the Group disposed of its entire beverage operation in September and continues to engage principally in the business of manufacturing and trading of hard and stuffed toys and securities investments after the disposal. For the year ended 31 December 2014, the Group reported revenue of the continuing operations of HK$422,953,000, representing year-over-year increase of 28% (2013: HK$330,158,000). The gross profit of the continuing operations dropped by 76% year- over-year to HK$10,692,000 (2013: HK$43,949,000) and the loss for the year of HK$122,018,000 increased by more than 1.6 times of that of the previous year (2013: HK$46,823,000), mainly due to the unsatisfactory performance in the toys and securities investment division, and also the expenses incurred by the grant of share options in December 2014.

Continuing operations

Toys Division

The Group's toys division continued to suffer from rising production costs in the Pearl River Delta throughout the year and recorded a segment loss of HK$56,213,000, compared to a profit of HK$1,809,000 in the previous year. As mentioned on the 2014 Interim Report, management of the toys division was able to acquire more new orders from its existing clients to fill up the excess production capacity brought by the loss of a product line during the first half year. The increase in revenue from HK$327,458,000 to HK$422,953,000 was however at a cost of a lower margin, which led to the substantial drop of gross profit as a result. In order to improve profitability, the management will adopt a more cautious approach in choosing new sales orders for the coming year.

Securities Investments

During the year, the Group made use of its surplus fund on hand to invest in the securities portfolio aiming to achieve a short term return. The stock market of Hong Kong was volatile during 2014 and the securities investment division recorded a segment loss of HK$17,543,000, compared to the segment loss of HK$26,970,000 in 2013. As at 31 December 2014, the Group's securities portfolio was valued at HK$14,232,000 (2013: HK$103,167,000). The Group had not received any dividend income during the year (2013: HK$2,700,000).

Discontinued operation

Beverage Division

After considering the unsatisfactory performance of the beverage division for the past few years, the Group decided to dispose of its entire interest to a third party in September 2014. A disposal gain of HK$2,960,000 was recorded pursuant to the disposal agreement where the subsidiary and the shareholder's loan owed by the subsidiary were sold at a consideration of HK$65,000,000.

PROSPECTS

Acquisition of Ankai (Tianjin) Holding Co. Ltd. ("Ankai Tianjin")

On 18 November 2014, the Group announced (the "Ankai Announcement") that it entered into the framework agreement ("Ankai Agreement") with Ankai Tianjin and its shareholders (together, the "Vendor") pursuant to which the Group has conditionally agreed to acquire the entire right of control, economic interests, management and benefits of Ankai Tianjin through the structured contracts ("the Structures Contracts") at a consideration of HK$120 million (the "Acquisition"). Ankai Tianjin is a limited liability company incorporated in the PRC engaging in the investment holding business. According to the Ankai Agreement, Ankai Tianjin will hold 40% equity interest in Hubei Changjian Huasheng Media Co. Ltd. ("Hubei Changjian Huasheng") and 70% equity interest in China Sports Insurance Broker Co. Ltd. ("China Sport Insurance") upon completion of reorganisation. Hubei Changjian Huasheng is principally engaged in production and distribution of television drama, film and media production in the PRC while China Sports Insurance is engaged in insurance brokerage business in the PRC, specialised in the areas of sports events and media production insurance services.

Since the media business and insurance brokerage business are subject to prohibition or restriction on foreign investment under the applicable PRC laws, a series of Structured Contracts will be entered between the Group, the nominee and the nominee's shareholder(s) so that the Group can acquire the entire economic benefits and risks of the businesses and account for the financial results of Ankai Tianjin upon completion of the Acquisition. As the Group does not have any direct equity ownership in the nominee and Ankai Tianjin and can only rely on the Structure Contracts to control, operate and be entitled to the economic benefits, there are certain risks associated with the use of the Structured Contacts for the Acquisition.

Up to the date of this report, the Acquisition is not yet completed as Ankai Tianjin is still undergoing reorganisation and certain conditions precedent of the Ankai Agreements have not been satisfied. According to the Ankai Agreement, a total of HK$100 million is paid to the Vendor as refundable deposit, upon satisfaction of due diligence review results on Ankai Tianjin in December 2014.

Acquisition of Beijing Weiying Times Technology Co. Ltd. ("Beijing Weiying")

On 29 December 2014, the Group announced ("Weiying Announcement") that it entered into the framework agreement ("Weiying Agreement") with one of the existing shareholders of Beijing Weiying and an independent third party (together, the "Weiying Vendor") to acquire the right of control, economic interests, management and benefits of 19.08% interests in Beijing Weiying through the Structure Contracts ("Weiying Acquisition"). Beijing Weiying is a limited liability company incorporated in the PRC and is engaged in provision of online sale of movie tickets through the Weixin movie tickets platform and provision of other value added services relating to the film distribution business in the PRC. The consideration for the Weiying Acquisition is HK$296,885,000, which comprises of (i) a refundable deposit of HK$75 million in cash and (ii) HK$221,885,000 by issue of 778,543,000 consideration shares at HK$0.285 per share by the Company.

As current PRC laws and regulations imposes certain restrictions on foreign ownership of companies that engage in value-added telecommunications business, a series of Structured Contracts will be entered between the Group, the nominee and the nominee's shareholder(s) so that the Group can acquire the entire economic benefits and risks of the businesses and account for the financial results of Beijing Weiying upon completion. As the Group does not have any direct equity ownership in the nominee and Beijing Weiyin and will only rely on the Structure Contracts to control, operate and be entitled to the economic benefits, there are certain risks associated with the use of the Structured Contacts for Weiying Acquisition.

Since certain Acquisition conditions could not be fulfilled or complied with, the Group entered into a termination agreement with the Weiying Vendor to terminate the Weiying Agreement on 6 March 2015.

Despite the termination of Weiying Acquisition, the Group will continue to pursue investment opportunities in the media and entertainment, cultural and internet business sectors in the PRC, which can enable the Group to participate in these fast growing industries and enhance returns to the shareholders.

APPRECIATION

On behalf of the Board, I would like take this opportunity to express my sincere gratitude to all our shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to my fellow directors and all staff members for their hard work during the past year.

Gao Feng
Acting Chairman

Hong Kong, 30 March 2015

OPERATIONS REVIEW

For the year ended 31 December 2014, the Group discontinued its beverage division and continued to engage in the businesses of manufacturing and trading of hard and stuffed toys and securities investments.

Continuing operations

Toys Division

The Group has been in the toys business since its listing in year 2002 and is principally engaged in the manufacturing and trading of a wide range of hard and stuffed toys on an OEM (Original Equipment Manufacturer) basis. During the first half of 2014, a major client decided to take back one of its product lines for own production based on commercial considerations. In order to fill up the excess production capacity, the management successfully solicited more new orders from the existing customers, which was however with a lower margin. As a result the division recorded an increase of 29% in the revenue to HK$422,953,000 for the year 2014 as compared with last year (2013: HK$327,458,000), and a segment loss of HK$56,213,000 in contrast to the profitable segment result of the previous year (2013: profit of HK$1,809,000). The drop of gross profit margin was also due to the write-down of inventories related to the lost product line. In view of the loss incurred, impairment loss on property, plant and equipment of HK$7,084,000 (2013: nil) was provided during the year.

In addition, the continuing rise of production costs in the Pearl River Delta Region, including labour costs, manufacturing overheads and subcontracting costs, and the production inefficiencies arising from manufacturing new products as aforementioned had also led to the increase in the division's segment loss.

During the year, the selling and distribution costs of the division had also substantially increased as part of the new sales orders were on CIF (Cost, Insurance and Freight) terms. Most of the division's revenues were in United States dollars and Hong Kong dollars and that most of the division's expenditures, including labour costs and purchase of materials, were in Renminbi, as such, the division had entered into forward contracts to reduce currency fluctuation risks. However, the Group had suffered from the unexpected currency fluctuation of Renminbi during the year and incurred a loss of HK$3,109,000 (2013: gain of HK$4,487,000) in forward foreign currency contracts.

Looking forward, in consideration of the loss incurred by the division during 2014, the division's management will strive for improving the division financial performance by carefully choosing sales orders with a reasonable margin and controlling outsourcing to enhance production efficiency.

OPERATIONS REVIEW (Continued)

Continuing operations (Continued)

Securities Investments

The Hong Kong securities market was volatile in 2014, swinging from the lowest 21,182 Hang Seng Index points recorded in March to the highest 25,317 points in September and closed at 23,605 points on 31 December 2014. For the year under review, the Group's securities investments division disposed most of its under-performing securities near the year end and recorded a loss of HK$17,543,000 (2013: loss of HK$26,970,000). As at 31 December 2014, the Group's securities portfolio only comprised the listed equity shares of a mining and resources company that was valued at HK$14,232,000 (2013: HK$103,167,000) on a fair value basis. The Group had not received any dividend income during the year (2013: HK$2,700,000).

Discontinued operation

Beverage Division

During the year, the Group's beverage division reported revenue of HK$3,103,000 (2013: HK$12,339,000) and incurred a segment loss of HK$3,622,000 (2013: loss of HK$10,303,000), including a gain on disposal of the operation of HK$2,960,000 (2013: nil). On 15 September 2014, the Group entered into a disposal agreement to dispose of its beverage division at a consideration of HK$65,000,000. Despite the management's efforts in improving the financial performance of the beverage division, the division continued to incur losses in the past year. Taking into account the unsatisfactory performance of the beverage division in the past years and the uncertain future prospect of the beverage division, the Board was of the view that the disposal provided a good opportunity to the Group to realise its investment in the beverage division and deploy the financial resources made available for other business opportunities.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2014, the Group had current assets of HK$307,126,000 (2013: HK$370,176,000) comprising cash and cash equivalents of HK$145,879,000 (2013: HK$125,439,000)(excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$219,789,000 (2013: HK$177,624,000), remained at a healthy ratio of 1.40 (2013: 2.08). The Group's bank loans as at 31 December 2014 were denominated in Hong Kong dollars, United States dollars and Renminbi in the proportion of 91%, 4% and 5% (2013: 98%, 2% and nil) respectively. All bank loans totaling HK$112,503,000 (2013: HK$80,331,000) would mature within one year, out of which 96% bore fixed interest rate (2013: 98%) and the remaining 4% bore floating interest rate (2013: 2%).

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's currency risk exposures.

The equity attributable to owners of the Company decreased by 13% to HK$305,809,000 (2013: HK$353,031,000) mainly as a result of the loss incurred by the Group during the year. The Group financed its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included bank borrowings, trade payables and other payables less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group as at 31 December 2014 was 18% (2013: 11%).

Despite the loss incurred by the Group, the financial position of the Group remains solid with sufficient cash to support the Group's ongoing business operations.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimised by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures.

When considered appropriate, the Group would enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant.

Charge on Assets

At 31 December 2014, the Group's certain leasehold buildings and prepaid land premium in Mainland China with aggregate carrying amount of HK$109,899,000 (2013: HK$110,751,000), bank deposits, inventories and trade receivables of HK$2,997,000, nil and HK$5,568,000 (2013: HK$4,599,000, HK$7,030,000 and HK$1,917,000) respectively were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2014, the Group had no significant contingent liability (2013: nil).

FINANCIAL REVIEW (Continued)

Capital Commitments

Acquisition of Ankai Tianjin

On 18 November 2014, a wholly-owned subsidiary of the Company entered into the framework agreement with Ankai Tianjin and its two existing shareholders in relation to the acquisition of the entire right of control and economic interests of Ankai Tianjin through Structured Contracts. The consideration for the proposed acquisition which was determined after arm's length negotiation is HK$120,000,000. After the payment of a refundable deposit of HK$100,000,000 in accordance with the framework agreement, there was an outstanding capital commitment of HK$20,000,000 in relation to the proposed acquisition of Ankai Tianjin at 31 December 2014 accordingly.

Completion of the acquisition of Ankai Tianjin is subject to satisfaction of conditions precedent as set out in the framework agreement. As at 31 December 2014, the proposed acquisition was not completed.

Acquisition of Beijing Weiying

On 29 December 2014, a wholly-owned subsidiary of the Company (the "Subsidiary") entered into the framework agreement with one of the existing shareholder of Beijing Weiying and an independent third party (together, the "Vendors") pursuant to which the Subsidiary had conditionally agreed to acquire approximately 19.1% effective right of control and economic interests of Beijing Weiying through the Structured Contracts. The purchase consideration of HK$296,885,000 comprise a refundable deposit of HK$75,000,000 and HK$221,885,000 of 778,543,000 consideration shares to be issued by the Company at an issue price of HK$0.285 each upon completion.

Completion of the acquisition of Bejing Weiying was subject to the satisfaction of the conditions precedent in the framework agreement (the "Conditions"). As at 31 December 2014, the acquisition was not completed. Subsequently in March 2015, since the Conditions in the framework agreement could not be fulfilled or complied with, the Subsidiary and the Vendors entered into a termination agreement to terminate the framework agreement.

The Group had no material capital commitments as at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, in respect of the continuing operations, the Group had a total of approximately 2,400 (2013: 2,690) employees, including directors, in Hong Kong and Mainland China. The Group's total staff costs, including directors' remuneration, and value of share options granted to directors and other employees, increased by 36% to HK$190,474,000 (2013: HK$139,902,000). Remuneration packages for employees and directors were structured by reference to market terms, individual performance and experience. Benefit plans maintained by the Group included provident fund scheme, pension scheme, medical insurance and discretionary bonuses. The Group also provided subsidies to staff for external training.

The biographical details of Directors as at 30 March 2015, the date of this annual report ,are set out below:

EXECUTIVE DIRECTORS

Mr. Gao Feng, *Acting Chairman*

Aged 48, joined the Company as an Executive Director on 18 June 2014 and was appointed the Acting Chairman of the Board on 4 November 2014. Mr. Gao is also a director of several subsidiaries of the Company. He holds a Bachelor's degree from Peking University specialised in Microelectronics. He has extensive experience in corporate planning and management of enterprises in the PRC and had held senior management positions in several multinational technology companies in the PRC.

Ms. Liu Ying, *Acting Chief Executive Officer*

Aged 45, joined the Company as an Executive Director and was appointed the Acting Chief Executive Officer of the Company on 27 November 2014. Ms. Liu holds a Bachelor of Arts degree in Chinese Language & Literature from Teachers' College of Beijing Union University and an Executive Master of Business Administration (EMBA) degree from Peking University in the PRC. She has extensive experience in information technology, management consulting and electronic commerce business and possesses extensive experience in corporate planning and management of enterprises in the PRC.

Mr. Zhang Jack Jiyei, *Chief Financial Officer*

Aged 50, joined the Company as an Executive Director on 4 November 2014 and was appointed the Chief Financial Officer of the Company on 10 November 2014. Mr. Zhang is also a director of several subsidiaries of the Company. He holds a Bachelor of Applied Mathematics degree from the Tsinghua University, a Master of Science degree from the University of Manitoba and a Master of Business Administration degree from the University of Western Ontario. Mr. Zhang has extensive experience in investment analysis and direct investment and is specialised in environmental, water treatment, telecommunication, information technology and media transactions. Mr. Zhang had held senior positions in a number of reputable companies including General Water of China Co., Ltd.# (中環保水務投資有限公司), BOCI Asia Limited and Beijing Long Shine Technology Co. Ltd.# (北京朗新科技有限公司). He was a director of Heilongjiang Interchina Water Treatment Co., Ltd.# (黑龍江國中水務股份有限公司) whose shares are listed on the Shanghai Stock Exchange (stock code: 600187) ("Heilongjiang Interchina") from 22 January 2009 to 16 July 2012 and was appointed as the president of Heilongjiang Interchina from 20 April 2012 to 16 July 2012. Mr. Zhang was also an Executive Director of EverChina Int'l Holdings Company Limited (formerly known as "Interchina Holdings Company Limited") (stock code: 202) from 1 January 2010 to 22 June 2010 and Peace Map Holding Limited (formerly known as "Mongolia Investment Group Limited") (stock code: 402) from 25 July 2013 to 6 August 2014, whose shares are listed on the main board of the Stock Exchange.

Unofficial literal translation of the Chinese company name

EXECUTIVE DIRECTORS (Continued)

Mr. Wu Jiang

Aged 38, joined the Group in July 2014 and was appointed as an Executive Director of the Company on 1 August 2014. Mr. Wu is also a director of several subsidiaries of the Company. Mr. Wu obtained a Bachelor's degree in Computer Science from Beijing Jiaotong University and a Master's degree in Business Administration from Nankai University. Mr. Wu is a Chartered Financial Analyst charterholder and has extensive research and investment experience. He had worked in a bank and several financial institutions, including CITIC Bank, Baoying Fund Management Company Limited and Haitong International Asset Management Limited. Mr. Wu was an Executive Director of Bestway International Holdings Limited, a company listed in Hong Kong (stock code: 718), from 11 December 2013 to 20 March 2014. In December 2014, Mr. Wu was appointed as the Independent Director of NQ Mobile Inc. (NYSE: NQ) whose American Depository Shares are listed on the New York Stock Exchange, and T3 Motion, Inc. (OTCBB: TTTM) whose shares are quoted on the OTC Bulletin Board in the United States.

NON-EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles

Aged 65, joined the Company as an Executive Director on 3 October 2009 and was appointed the Chief Executive Officer and Deputy Chairman of the Company on 25 November 2009 and 24 June 2011 respectively. Mr. Lo had stepped down from his positions as the Deputy Chairman and the Chief Executive Officer of the Company and had been re-designated as a Non-executive Director of the Company with effect from 10 November 2014. Mr. Lo is also a director of several subsidiaries of the Company. He is a certified practising accountant of the CPA Australia and is a fellow of the Financial Services Institute of Australasia. Mr. Lo has extensive experience in financial and investment services in Australia, Hong Kong and other Asian countries. Mr. Lo is an Independent Non-executive Director of Carrianna Group Holdings Company Limited (formerly known as "Tak Sing Alliance Holdings Limited") (stock code: 126) and CASH Financial Services Group Limited (stock code: 510). He was also an Independent Non-executive Director of Capital Environment Holdings Limited (formerly known as "New Environmental Energy Holdings Limited") (stock code: 3989) until 1 July 2012 and an Executive Director and the Chief Executive Officer of Huajun Holdings Limited (formerly known as "New Island Development Holdings Limited") ("Huajun Holdings") (stock code: 377) until 25 September 2014. All of the above companies are listed in Hong Kong.

NON-EXECUTIVE DIRECTORS (Continued)

Ms. Chan Yuk Yee

Aged 46, joined the Company as an Executive Director in October 2009 and was appointed the Secretary of the Company in November 2009. Ms. Chan had been re-designated as a Non-executive Director and resigned as the Company Secretary of the Company with effect from 10 November 2014. Ms. Chan is also a director of several subsidiaries of the Company. She holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in corporate administration and company secretarial practice. She is also the Company Secretary of Hailiang International Holdings Limited (formerly known as "Sunlink International Holdings Limited") (stock code: 2336). Ms. Chan was the Company Secretary of Mission Capital Holdings Limited (formely known as "Poly Capital Holdings Limited") ("Mission Capital") (stock code: 1141) until 2 July 2014 and an Executive Director of Huajun Holdings until 25 September 2014. All of the above companies are listed in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Fang, *Chairman of the Audit Committee and the Nomination Committee and member of the Remuneration Committee*

Aged 61, joined the Company as an Independent Non-executive Director on 10 November 2014. Mr. Li holds a Bachelor's degree of Law and a Master's degree of Law from Peking University Law School, a LL.M degree from Harvard Law School and a Diploma of Harvard International Tax Research Programme. Mr. Li is a partner of Tian Yuan Law Firm, Beijing office and an arbitrator of China International Economic and Trade Arbitration Commission as well as Shenzhen Court of International Arbitration.

Ms. Yang Qinyan, *Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*

Aged 42, joined the Company as an Independent Non-executive Director on 10 November 2014. Ms. Yang holds a Diploma in Fashion Design from Raffles-BIFT International College in Beijing, the PRC and has extensive experience in media communications and sales and marketing for enterprises in Mainland China.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Wong Kwok Tai, *Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*

Aged 76, joined the Company as an Independent Non-executive Director on 1 November 2009. He is a Practising Certified Public Accountant and a fellow member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Wong is the director of W. Wong CPA Limited and has more than 45 years of financial experience. Mr. Wong is also an Independent Non-executive Director of China Power New Energy Development Company Limited (stock code: 735), Mission Capital and Takson Holdings Limited (stock code: 918). All of the above companies are listed in Hong Kong. Mr. Wong was also an Independent Non-executive Director of New Century Group Hong Kong Limited (stock code: 234), a listed company in Hong Kong, until 4 September 2012.

The Directors hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are manufacturing and trading of hard and stuffed toys and securities investments.

In prior years, the Group was also engaged in the manufacture and sales of beverage products. This operation was discontinued in the current year.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 36.

FINAL DIVIDEND

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 118. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movement in the share capital of the Company during the year and details of share capital of the Company are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

RESERVES

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 85.1% of the total sales for the year and sales to the largest customer accounted for approximately 36%. Purchases from the Group's five largest suppliers accounted for approximately 37.6% of the total purchases for the year and purchases from the largest supplier accounted for approximately 15.5%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

Executive Directors:

Mr. Gao Feng	(appointed on 18 June 2014)
Ms. Liu Ying	(appointed on 27 November 2014)
Mr. Zhang Jack Jiyei	(appointed on 4 November 2014)
Mr. Wu Jiang	(appointed on 1 August 2014)
Ms. Danita On	(resigned on 18 June 2014)
Ms. Wang Jingyu	(resigned on 10 November 2014)

Non-executive Directors:

Mr. Lo Ming Chi, Charles	(re-designated from Executive Director on 10 November 2014)
Ms. Chan Yuk Yee	(re-designated from Executive Director on 10 November 2014)
Mr. Sue Ka Lok	(resigned on 27 November 2014)

Independent Non-executive Directors:

Mr. Li Fang	(appointed on 10 November 2014)
Ms. Yang Qinyan	(appointed on 10 November 2014)
Mr. Wong Kwok Tai	
Mr. Kwok Ming Fai	(resigned on 10 November 2014)
Ms. Leung Pik Har, Christine	(resigned on 10 November 2014)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Wu Jiang was appointed as the Independent Director of both NQ Mobile Inc. (NYSE: NQ) whose American Depository Shares are listed on the New York Stock Exchange, and T3 Motion, Inc. (OTCBB: TTTM) whose shares are quoted on the OTC Bulletin Board in the United States in December 2014;

2. Mr. Lo Ming Chi, Charles resigned as the Chief Executive Officer and Executive Director of Huajun Holdings Limited (formerly known as "New Island Development Holdings Limited") (stock code: 377) whose shares are listed on the Hong Kong Stock Exchange in September 2014; and

3. Ms. Chan Yuk Yee resigned as Executive Director of Huajun Holdings Limited (formerly known as "New Island Development Holdings Limited") (stock code: 377) whose shares are listed on the Hong Kong Stock Exchange in September 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the directors' and the chief executive's remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this directors' report and in note 36 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2014, the interests of each of the directors or the chief executive of the Company in the shares, underlying shares or 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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in the underlying shares of the Company

Name of Director	Capacity and nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital
Mr. Gao Feng	Beneficial owner	16,800,000	0.83%
Ms. Liu Ying	Beneficial owner	16,800,000	0.83%
Mr. Zhang Jack Jiyei	Beneficial owner	16,800,000	0.83%
Mr. Wu Jiang	Beneficial owner	11,080,000	0.55%
Mr. Li Fang	Beneficial owner	1,680,000	0.08%
Ms. Yang Qinyan	Beneficial owner	1,680,000	0.08%

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" disclosure in note 31 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 31 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	615,791,472 (*Note 1*)	30.43%
Smart Legend Holdings Limited ("Smart Legend")	Interest of controlled corporation	615,791,472 (*Note 1*)	30.43%
Right Perfect Limited ("Right Perfect")	Beneficial owner	615,791,472 (*Note 1*)	30.43%
HEC Capital Limited ("HEC Capital")	Interest of controlled corporation	89,084,000 (*Note 2*)	4.40%

Notes:

1. These shares were held by Right Perfect, which was a wholly-owned subsidiary of Smart Legend which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Right Perfect and Smart Legend. Accordingly, Mr. Suen and Smart Legend were deemed to be interested in 615,791,472 shares of the Company under the SFO.

2. These shares were held by Murtsa Capital Management Limited, which was a wholly-owned subsidiary of Hennabun Development Limited which in turn was wholly owned by HEC Capital. Accordingly, HEC Capital was deemed to be interested in 89,084,000 shares of the Company under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2014 as required pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

As disclosed in the joint announcement dated 4 October 2013 (the "Joint Announcement") made by the Company and Huajun Holdings Limited (formerly known as "New Island Development Holdings Limited") (stock code: 377) ("Huajun"), a company listed on the Stock Exchange and is indirectly owned as to approximately 62.6% by Mr. Suen, the controlling shareholder of the Company, Sewco Toys & Novelty Limited (a wholly-owned subsidiary of the Company, "Sewco Toys") and New Island Printing Company Limited (a wholly-owned subsidiary of Huajun, "New Island Printing") entered into an agreement (the "Agreement") in relation to the provision of sub-contracting service for the production of packaging and paper products by Sewco Toys to New Island Printing for the period from 7 October 2013 to 31 March 2014 (both dates inclusive). Pursuant to the Agreement, the maximum fee receivable by Sewco Toys under the Agreement for each of the two years ending 31 December 2013 and 31 December 2014 shall be both under HK$6 million, provided that the aggregate monetary amounts payable by New Island Printing for the whole term of the Agreement, that is, until 31 March 2014, shall not exceed HK$10 million.

As both Sewco Toys and New Island Printing are associates of Mr. Suen as defined under the Listing Rules, the transactions contemplated under the Agreement constitutes continuing connected transactions for both the Company and New Island Development under Chapter 14A of the Listing Rules. During the year ended 31 December 2014, Sewco Toys received subcontracting income totaling HK$575,000 (2013: HK$2,991,000) from New Island Printing.

These transactions have been reviewed by the Independent Non-executive Directors of the Company, who are satisfied that the above transactions were entered into:

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

(ii) on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

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

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that:

(i) nothing has come to auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to auditor's attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value as disclosed in the Joint Announcement.

The Agreement was not renewed upon expiry on 31 March 2014. Apart from the continuing connected transactions disclosed above, the other related party transactions disclosed in note 36 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, subsidized training programme as well as discretionary bonuses.

The remuneration of directors of the Company are reviewed and determined by the Remuneration Committee of the Company having regard to the Company's operating results, individual performance and comparable market information. None of the directors of the Company or any of his/her associates is involved in dealing with his/her own remuneration.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

Crowe Horwath (HK) CPA Limited resigned as auditor of the Company with effect from 9 December 2014 and Deloitte Touche Tohmatsu ("DTT") was appointed as auditor of the Company with effect from 22 December 2014 to fill the casual vacancy so arising and to hold office until the conclusion of the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint DTT as auditor of the Company.

Save for the above, there were no other changes of auditor of the Company in the past three years. The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by DTT.

On behalf of the Board

Gao Feng
Acting Chairman

Hong Kong, 30 March 2015

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

During the year ended 31 December 2014, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company had failed to meet the requirement of Rule 3.10A of the Listing Rules during the period from 4 November 2014 to 10 November 2014 where the number of independent non-executive directors fell below one-third of the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Own Code and the Model Code during the year ended 31 December 2014.

BOARD OF DIRECTORS

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of shareholders of the Company.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the executive directors and senior management of the Company. Prior to entering into any significant transactions, the executive directors and senior management of the Company have to obtain Board approval.

BOARD OF DIRECTORS (Continued)

As at the date of this annual report, the Board comprises nine Directors, including four Executive Directors, namely Mr. Gao Feng (Acting Chairman), Ms. Liu Ying (Acting Chief Executive Officer), Mr. Zhang Jack Jiyei (Chief Financial Officer) and Mr. Wu Jiang; two Non-executive Directors, namely Mr. Lo Ming Chi, Charles and Ms. Chan Yuk Yee; and three Independent Non-executive Directors, namely Mr. Li Fang, Ms. Yang Qinyan and Mr. Wong Kwok Tai. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors" on pages 11 to 14 of this annual report.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

BOARD OF DIRECTORS (Continued)

During the year ended 31 December 2014, four regular full Board meetings and one Annual General Meeting ("AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of attendance Board Meetings	2014 AGM
Executive Directors		
Mr. Gao Feng (appointed on 18 June 2014)	2/2	1/1
Mr. Wu Jiang (appointed on 1 August 2014)	1/1	N/A
Mr. Zhang Jack Jiyei (appointed on 4 November 2014)	N/A	N/A
Ms. Liu Ying (appointed on 27 November 2014)	N/A	N/A
Ms. Danita On (resigned on 18 June 2014)	2/2	N/A
Ms. Wang Jingyu (resigned on 10 November 2014)	4/4	1/1
Non-executive Directors		
Mr. Lo Ming Chi, Charles (re-designated from Executive Director on 10 November 2014)	4/4	1/1
Ms. Chan Yuk Yee (re-designated from Executive Director on 10 November 2014)	4/4	1/1
Mr. Sue Ka Lok (resigned on 27 November 2014)	4/4	1/1
Independent Non-executive Directors		
Mr. Li Fang (appointed on 10 November 2014)	N/A	N/A
Ms. Yang Qinyan (appointed on 10 November 2014)	N/A	N/A
Mr. Wong Kwok Tai	4/4	1/1
Mr. Kwok Ming Fai (resigned on 10 November 2014)	4/4	1/1
Ms. Leung Pik Har, Christine (resigned on 10 November 2014)	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, Mr. Gao Feng, the Acting Chairman of the Board, takes up the responsibility of the management of the Board whereas Ms. Liu Ying, the Acting Chief Executive Officer of the Company, is responsible for the day-to-day management of the Group's business.

NON-EXECUTIVE DIRECTORS

Each of the Non-executive Directors and Independent Non-executive Directors is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. The Non-executive Directors and all the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Li Fang, Ms. Yang Qinyan and Mr. Wong Kwok Tai. Ms. Yang Qinyan is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The full terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met four times during the year ended 31 December 2014 to review the remuneration packages for directors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Ms. Yang Qinyan (appointed on 10 November 2014)	2/2
Mr. Li Fang (appointed on 10 November 2014)	2/2
Mr. Wong Kwok Tai	4/4
Ms. Leung Pik Har, Christine (resigned on 10 November 2014)	2/2
Mr. Lo Ming Chi, Charles (ceased as member on 10 November 2014)	1/1
Mr. Kwok Ming Fai (resigned on 10 November 2014)	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Li Fang, Ms. Yang Qinyan and Mr. Wong Kwok Tai. Mr. Li Fang is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of the Board succession. The full terms of reference of the Nomination Committee are available on Company's website and the Stock Exchange's website.

The Nomination Committee met six times during the year ended 31 December 2014 to review the appointment of the directors, the structure, size and composition of the Board. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Li Fang (appointed on 10 November 2014)	1/1
Ms. Yang Qinyan (appointed on 10 November 2014)	1/1
Mr. Wong Kwok Tai	6/6
Mr. Lo Ming Chi, Charles (ceased as member on 10 November 2014)	5/5
Ms. Leung Pik Har, Christine (resigned on 10 November 2014)	5/5
Mr. Kwok Ming Fai (resigned on 10 November 2014)	5/5

The Board has adopted a board diversity policy (the "Policy") in September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Li Fang, Ms. Yang Qinyan and Mr. Wong Kwok Tai. Mr. Li Fang is the Chairman of the Audit Committee.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Group's financial reporting system, internal control system and risk management system. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference of the Audit Committee are available on Company's website and the Stock Exchange's website.

The Audit Committee met five times during the year ended 31 December 2014 and the attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Li Fang (appointed on 10 November 2014)	1/1
Ms. Yang Qinyan (appointed on 10 November 2014)	1/1
Mr. Wong Kwok Tai	5/5
Ms. Leung Pik Har, Christine (resigned on 10 November 2014)	4/4
Mr. Kwok Ming Fai (resigned on 10 November 2014)	4/4

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2014:

1. Reviewed and approved the remuneration and terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the appointment of the Company's auditor;

2. reviewed and discussed the Group's management accounts; and

3. adoption of certain internal control policies in order to enhance the internal control system of the Group.

AUDITOR AND AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by Deloitte Touche Tohmatsu ("DTT"). The statement of the external auditor of the Company about its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditor's Report" on pages 34 to 35 of this annual report.

During the year ended 31 December 2014, the following fees were paid or payable to DTT, the auditor of the Company, Deloitte & Touche Corporate Finance Ltd. ("DTCF") and Crowe Horwath (HK) CPA Limited, the ex-auditor of the Company:

	HK$'000
Fee for audit services *(Note a)*	1,500
Fee for non-audit services *(Note b)*	2,820
Total	4,320

Notes:

(a) The audit services provided by DTT.

(b) The amount included HK$2.6 million of financial advisory service provided by DTCF.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of directors and senior management; (iii) reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

For the year ended 31 December 2014, the Board conducted a review of the effectiveness of the internal control system of the Group.

The Group has a positive attitude to internal controls improvements. For the purpose of strengthening its existing internal control system, the Company has appointed RSM Nelson Wheeler Consulting Limited ("RSM") to perform a review on the Group's internal control system based on the internal control framework as recommended by the Committee of Sponsoring Organizations of the Treadway Commission. The internal control review report (the "IC Review Report") has been issued by RSM in February 2014 after being reviewed by the Audit Committee and the management of the Company. RSM confirmed that the Group has adopted all the RSM's recommendations in the IC Review Report in further enhancement of the Group's internal control system and that no material internal control deficiency has been identified in the IC Review Report.

COMPANY SECRETARY

Ms. Chan Yuk Yee resigned as the Company Secretary and Mr. Lau On Kwok was appointed as the Company Secretary of the Company on 10 November 2014. Following specific enquiry by the Company, both have complied with the requirements as stipulated in Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

According to bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

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

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

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

SHAREHOLDERS' RIGHTS (Continued)

Procedures for shareholders to propose a person for election as a director of the Company

According to bye-law 88 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting of the Company unless a notice in writing of the intention to propose such person for election as a director, signed by a shareholder of the Company (other than the person to be proposed for election as a director) duly qualified to attend and vote at the general meeting of the Company for which such notice is given, and a notice in writing signed by such person of his/her willingness to be elected shall have been lodged at the Company's head office in Hong Kong or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.winshine.hk and www.tricor.com.hk/webservice/000209.

Deloitte.
德勤

TO THE SHAREHOLDERS OF
WINSHINE ENTERTAINMENT & MEDIA HOLDING COMPANY LIMITED
中國瀛晟娛樂傳媒控股有限公司
(FORMERLY KNOWN AS CHINA TYCOON BEVERAGE HOLDINGS LIMITED
中國大亨飲品控股有限公司)
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Winshine Entertainment & Media Holding Company Limited (formerly known as China Tycoon Beverage Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 117, 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 profit or loss and other 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 Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Continuing operations			
Revenue	6	**422,953**	330,158
Cost of sales		**(412,261)**	(286,209)
Gross profit		**10,692**	43,949
Other income and gain	7	**7,629**	12,093
Selling and distribution costs		**(13,045)**	(5,932)
Administrative expenses		**(87,280)**	(51,079)
Changes in fair value of trading securities		**(17,553)**	(29,320)
Other operating expenses		**(11,323)**	(524)
Finance costs	9	**(5,643)**	(4,579)
Loss before taxation from continuing operations	8	**(116,523)**	(35,392)
Income tax expense	12	**(1,873)**	(1,128)
Loss for the year from continuing operations		**(118,396)**	(36,520)
Discontinued operation			
Loss for the year from discontinued operation	13	**(3,622)**	(10,303)
Loss for the year		**(122,018)**	(46,823)
Attributable to:			
Owners of the Company		**(120,853)**	(44,999)
Non-controlling interests		**(1,165)**	(1,824)
		(122,018)	(46,823)
Loss per share			
From continuing and discontinued operations			
Basic and diluted	14	**(HK6.67 cents)**	(HK2.67 cents)
From continuing operations			
Basic and diluted	14	**(HK6.53 cents)**	(HK2.17 cents)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year		**(122,018)**	(46,823)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation surplus on leasehold buildings	15	**2,609**	10,094
Deferred tax credit/(charge) arising from revaluation surplus on leasehold buildings	29	**42**	(426)
		2,651	9,668
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,451)**	9,007
Reclassification adjustments relating to foreign operation disposed of during the year	37	**(21,543)**	–
		(22,994)	9,007
Other comprehensive (loss)/income for the year, net of tax		**(20,343)**	18,675
Total comprehensive loss for the year		**(142,361)**	(28,148)
Total comprehensive loss attributable to:			
Owners of the Company		**(141,020)**	(26,995)
Non-controlling interests		**(1,341)**	(1,153)
		(142,361)	(28,148)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**121,494**	144,831
Prepaid land premiums	16	**4,547**	4,699
Intangible assets	17	**–**	2,567
Goodwill	18	**–**	834
Refundable deposits	19	**100,000**	–
		226,041	152,931
Current assets			
Trading securities	21	**14,232**	103,167
Inventories	22	**78,425**	104,148
Prepaid land premiums	16	**152**	152
Trade receivables	23	**56,390**	19,673
Prepayments, deposits and other receivables	24	**9,051**	12,998
Pledged bank deposits	25	**2,997**	4,599
Cash and cash equivalents	25	**145,879**	125,439
		307,126	370,176
Current liabilities			
Trade and bills payables	26	**68,077**	23,198
Other payables and accruals	27	**35,827**	69,456
Bank borrowings	28	**112,503**	80,331
Tax payables		**3,382**	4,639
		219,789	177,624
Net current assets		**87,337**	192,552
Total assets less current liabilities		**313,378**	345,483
Non-current liabilities			
Deferred tax liabilities	29	**7,569**	7,583
Net assets		**305,809**	337,900

	Notes	2014 HK$'000	2013 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	30	**202,369**	168,641
Reserves		**103,440**	184,390
		305,809	353,031
Non-controlling interests		**–**	(15,131)
Total equity		**305,809**	337,900

The consolidated financial statements on pages 36 to 117 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Gao Feng
Executive Director and Acting Chairman

Zhang Jack Jiyei
Executive Director and Chief Financial Officer

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current asset			
Interests in subsidiaries	20	**157,784**	297,708
Current assets			
Prepayments, deposits and other receivables	24	**441**	370
Cash and cash equivalents	25	**117,958**	152
		118,399	522
Current liabilities			
Other payables	27	**5,875**	4,229
Net current assets/(liabilities)		**112,524**	(3,707)
Net assets		**270,308**	294,001
Equity			
Equity attributable to owners of the Company			
Share capital	30	**202,369**	168,641
Reserves	32	**67,939**	125,360
Total equity		**270,308**	294,001

The consolidated financial statements on pages 36 to 117 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Gao Feng
Executive Director and Acting Chairman

Zhang Jack Jiyei
Executive Director and Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Issued share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000 (Note)	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to the owners of the company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	168,641	684,503	41,143	10,686	-	53,821	(578,768)	380,026	(13,978)	366,048
Loss for the year	-	-	-	-	-	-	(44,999)	(44,999)	(1,824)	(46,823)
Other comprehensive income	-	-	9,668	-	-	8,336	-	18,004	671	18,675
Total comprehensive income/ (loss) for the year	-	-	9,668	-	-	8,336	(44,999)	(26,995)	(1,153)	(28,148)
Revaluation reserve realised	-	-	(1,247)	-	-	-	1,247	-	-	-
Appropriation to statutory reserve fund	-	-	-	256	-	-	(256)	-	-	-
At 31 December 2013 and 1 January 2014	**168,641**	**684,503**	**49,564**	**10,942**	**-**	**62,157**	**(622,776)**	**353,031**	**(15,131)**	**337,900**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(120,853)**	**(120,853)**	**(1,165)**	**(122,018)**
Other comprehensive income/(loss)	**-**	**-**	**2,651**	**-**	**-**	**(22,818)**	**-**	**(20,167)**	**(176)**	**(20,343)**
Total comprehensive income/ (loss) for the year	**-**	**-**	**2,651**	**-**	**-**	**(22,818)**	**(120,853)**	**(141,020)**	**(1,341)**	**(142,361)**
Issue of shares	**33,728**	**35,414**	**-**	**-**	**-**	**-**	**-**	**69,142**	**-**	**69,142**
Transaction costs attributable to issue of shares	**-**	**(1,844)**	**-**	**-**	**-**	**-**	**-**	**(1,844)**	**-**	**(1,844)**
Revaluation reserve realised	**-**	**-**	**(1,562)**	**-**	**-**	**-**	**1,562**	**-**	**-**	**-**
Appropriation to statutory reserve fund	**-**	**-**	**-**	**347**	**-**	**-**	**(347)**	**-**	**-**	**-**
Disposal of subsidiaries *(note 37)*	**-**	**-**	**-**	**(2,940)**	**-**	**-**	**2,940**	**-**	**16,472**	**16,472**
Recognition of equity-settled share-based payments *(note 31)*	**-**	**-**	**-**	**-**	**26,500**	**-**	**-**	**26,500**	**-**	**26,500**
At 31 December 2014	**202,369**	**718,073**	**50,653**	**8,349**	**26,500**	**39,339**	**(739,474)**	**305,809**	**-**	**305,809**

Note:

The Group's People's Republic of China ("PRC") subsidiaries are required to allocate at least 10% of net profit according to their PRC audited financial statements to a statutory reserve fund until the balance of such reserve has reached 50% of the subsidiaries' registered capital. Any further appropriation is optional. The statutory reserve fund shall only be used for making up losses or for capitalisation into share capital, provided that the remaining balance is not less than 20% of the registered capital of the entity after such capitalisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before taxation		**(120,167)**	(45,821)
Adjustments for:			
Finance costs	9	**5,643**	4,579
Interest income	7	**(1,309)**	(3,647)
Dividend income	6	**–**	(2,700)
Amortisation of intangible assets	17	**90**	126
Amortisation of prepaid land premiums	16	**152**	152
Depreciation of property, plant and equipment	15	**11,098**	12,224
Fair value loss/(gain) on derivative financial instruments		**3,109**	(4,487)
Unrealised loss on fair value of trading securities		**2,513**	27,006
Equity-settled share-based payments	31	**26,500**	–
Loss on disposal of property, plant and equipment		**192**	559
Loss on disposal of intangible asset		**71**	–
Gain on disposal of subsidiaries	37	**(2,960)**	–
Impairment loss on goodwill	18	**834**	–
Impairment loss on property, plant and equipment	15	**7,084**	–
Write down of inventories, net		**21,066**	12,373
Operating (loss)/profit before changes in working capital		**(33,698)**	364
Increase in inventories		**(8,701)**	(15,583)
(Increase)/decrease in trade receivables		**(38,123)**	10,971
(Increase)/decrease in prepayments, deposits and other receivables		**(1,811)**	3,613
Increase/(decrease) in trade payables		**45,002**	(20,295)
Increase/(decrease) in other payables and accruals		**7,492**	(1,369)
Decrease in trading securities		**86,422**	20,894
(Increase)/decrease in derivative financial instruments		**(3,109)**	4,487
Cash generated from operations		**41,088**	3,082
Interest received		**1,309**	3,647
Interest paid		**(5,643)**	(4,579)
Dividend received		**–**	2,700
Income tax paid			
– Hong Kong Profits Tax refund		**–**	12
– Overseas tax paid		**(2,958)**	(1,545)
Net cash from operating activities		**33,796**	3,317

	Notes	2014 HK$'000	2013 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(2,675)**	(5,760)
Proceeds from disposal of property, plant and equipment		**3,426**	898
Proceeds from disposal of intangible assets		**379**	–
Refundable deposits paid	*19*	**(100,000)**	–
Disposal of subsidiaries	*37*	**(14,726)**	–
Withdrawal/(placement) of pledged bank deposits		**1,602**	(1,603)
Net cash used in investing activities		**(111,994)**	(6,465)
Financing activities			
Proceeds from bank borrowings		**525,136**	360,915
Repayment of bank borrowings		**(492,700)**	(369,344)
Proceeds from issue of shares		**69,142**	–
Transaction costs attributable to issue of shares		**(1,844)**	–
Net cash from/(used in) financing activities		**99,734**	(8,429)
Net increase/(decrease) in cash and cash equivalents		**21,536**	(11,577)
Cash and cash equivalents at 1 January		**125,439**	130,246
Effect of foreign exchange rate changes		**(1,096)**	6,770
Cash and cash equivalents at 31 December		**145,879**	125,439
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents		**145,879**	125,439

1. CORPORATE INFORMATION

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

Pursuant to the special resolution of the Company dated 9 March 2015, the name of the Company has been changed from China Tycoon Beverage Holdings Limited to Winshine Entertainment & Media Holding Company Limited. The change of the name of the Company has been approved by the Registrar of Companies in Bermuda and became effective on 11 March 2015.

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

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

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by 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 Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied for the first time in the current year certain amendments to HKFRSs and a new interpretation. Except as described below, the application of other new and revised standards and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* (Continued)

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 2 and HKAS 28	Investment entities: Applying the consolidated exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (Continued)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The *Annual Improvements to HKFRSs 2012 – 2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars, rounded to the nearest thousand except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain properties and financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of the financial statements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly, other than quoted prices included within Level 1

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. The Group controls an entity when it has power over the entity, 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.

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, interests in subsidiaries are 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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Trademark	20 years
Customer relationships	3 years

The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Leasehold buildings, comprising buildings situated on operating leasehold land, are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the asset revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation on revalued buildings is recognised in profit or loss. Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the asset revaluation reserve to retained profits.

Other property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment less its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	Over the remaining lease terms
Leasehold improvements	10% to 33%
Plant and machinery	10% to 15%
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	20%

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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.

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.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as being held under a finance lease and accounted for in accordance with the accounting policies for property, plant and equipment.

Financial instruments

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

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

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular way purchase and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated and effective as hedges. Financial assets carried at fair value through profit or loss are initially recognised at fair value.

Gains or losses arising on remeasurement of the fair value of "financial assets at fair value through profit or loss" are recognised in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of revenue when the Group's right to receive payments is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise refundable deposits, trade receivables, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that, as a result of one or more events that has occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty; or, default or delinquency in interest or principal payments; or it becoming probable that they will enter bankruptcy or other financial reorganisation; or observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and bank borrowings are subsequently measured at amortised cost using effective interest method. The Group determines the classification of its financial liabilities at initial recognition.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. Unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the hedge relationship.

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 all estimated costs of completion and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense for the year comprises current tax and deferred tax. Current and deferred tax 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 profit 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 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 that 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 differences 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group; when the revenue can be measured reliably; and the costs incurred or to be incurred in respect of the transaction can be measured reliably, on the following bases:

(a) revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually taken as the time when the goods are delivered and titles have passed;

(b) mould income from the manufacture of moulds for customers is recognised upon completion of the production;

(c) rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;

(d) interest income is recognised on an accrual basis using the effective interest method;

(e) dividend income is recognised when the right to receive the dividend is established; and

(f) subcontracting income are recognised when services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries accordance with the rules of the MPF Scheme and are recognised as an expense when employees have rendered services entitling them to the contribution payable in.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain amounts for the employees in the PRC, pursuant to the local municipal government regulations. The contributions are recognised as an expense when employees have rendered services entitling them to the contribution.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at the end of the reporting period. All exchange differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

As at the end of the reporting period, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and income and expense items are translated at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve (attributed to non-controlling interest as appropriate). On disposal of a foreign operation, all of the exchange differences accumulated in equity relating to that particular foreign operation is recognised in profit or loss.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operation

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 co-ordinated 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.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, the assets or disposal group constituting the discontinued operation.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated fair value of leasehold buildings

The Group's leasehold buildings are stated at valuation less accumulated depreciation in accordance with the accounting policies stated in note 4 to the consolidated financial statements. The valuations of the leasehold buildings are determined by an independent firm of professional valuers, as set out in note 15 to the consolidated financial statements. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. As at 31 December 2014, the carrying amount of the Group's leasehold buildings is HK$105,200,000 (2013: HK$105,900,000).

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Impairment loss is recognised for the amount by which the respective recoverable amount of property, plant and equipment is lower than its carrying amount. Due to the Group's losses incurred in the manufacturing and trading of hard and stuffed toys segment, the management conducted impairment assessments of the Group's property, plant and equipment, which are used in the Group's manufacturing and trading of hard and stuffed toys segment. Based on an analysis of recoverable amounts of property, plant and equipment determined based on their fair value less costs of disposal, the Group recognised impairment loss in respect of property, plant and equipment amounting to HK$7,084,000 to profit or loss during the year ended 31 December 2014. It is possible that actual outcomes may be different from assumptions, having a material impact on the carrying amount of property, plant and equipment in the period when such estimate is revised. As at 31 December 2014, the carrying amounts of property, plant and equipment are approximately HK$121,494,000 (2013: HK$144,831,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of receivables

The policy for making allowance for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables 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 of each customer debtor. If the financial conditions of the customers debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowance for impairment may be required. If the financial conditions of the customers debtors of the Group, on whose account allowance for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of allowance for impairment may be required. As at 31 December 2014, the carrying amount of the Group's trade receivable is HK$56,390,000 (2013: HK$19,673,000).

Write down of inventories

The management of the Group reviews the inventories at the end of the reporting period and makes allowance for write down of obsolete, slow-moving and defective items. The management estimates the net realisable value for such inventories based primarily on the expected future market conditions and the estimated selling price. The Group makes allowance for write down if the net realisable value is below the carrying amount. During the year ended 31 December 2014, there is a write down of inventories of approximately HK$21,066,000 (2013: HK$12,373,000). As at 31 December 2014, the carrying amount of the Group's inventories is HK$78,425,000 (2013: HK$104,148,000).

6. REVENUE AND SEGMENT REPORTING

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and dividend income from the Group's securities investments.

An analysis of the Group's revenue is as follows:

	2014 ***HK$'000***	2013 *HK$'000* (Restated)
Continuing operations		
Revenue		
Sale of goods	**422,953**	327,458
Dividend income	**–**	2,700
	422,953	330,158

6. REVENUE AND SEGMENT REPORTING (Continued)

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical location. However, based on the information that is reported internally to the executive directors of the Company, being the chief operating decision maker of the Group, for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Securities investments: this segment derives its revenue from dividends received from equity securities investments.

2. Manufacturing and trading of hard and stuffed toys: this segment derives its revenue from manufacturing and trading of hard and stuffed toys (the "Toys Segment").

During the year, as described in note 37, the Group disposed of its manufacturing and sale of beverage products segment (the "Beverage Segment"). The Beverage Segment was classified as discontinued operation as described in note 13.

In accordance with HKFRS 8, segment information disclosed in these consolidated financial statements has been prepared in a manner consistent with the information used by the chief operating decision maker for the purposes of assessing segment performance and allocating resources among segments. In this regard, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, certain prepayments and certain cash and cash equivalents, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain accruals, which are grouped as unallocated corporate liabilities.

Segment profit or loss before taxation exclude unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

6. REVENUE AND SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the years ended 31 December 2014 and 2013

	Continuing operations					
	Securities investments		Manufacturing and trading of hard and stuffed toys		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue						
Revenue from external customers	**–**	2,700	**422,953**	327,458	**422,953**	330,158
Reportable segment (loss)/profit before taxation	**(17,543)**	(26,970)	**(56,213)**	1,809	**(73,756)**	(25,161)
Unallocated corporate income					**638**	1,075
Unallocated corporate expenses					**(43,405)**	(11,306)
Loss before taxation from continuing operations					**(116,523)**	(35,392)
Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)						
Depreciation of property, plant and equipment	**–**	–	**(9,445)**	(9,553)	**(9,445)**	(9,553)
Amortisation of prepaid land premiums	**–**	–	**(152)**	(152)	**(152)**	(152)
Impairment loss of goodwill	**–**	–	**(834)**	–	**(834)**	–
Impairment loss of property, plant and equipment	**–**	–	**(7,084)**	–	**(7,084)**	–
Write down of inventories, net	**–**	–	**(21,066)**	(12,373)	**(21,066)**	(12,373)
Gain/(loss) on disposal of property, plant and equipment, net	**–**	–	**167**	(200)	**167**	(200)
Changes in fair value of trading securities	**(17,553)**	(29,320)	**–**	–	**(17,553)**	(29,320)
Bank interest income	**36**	–	**47**	85	**83**	85
Interest expense	**–**	–	**(5,643)**	(4,579)	**(5,643)**	(4,579)
Addition to non-current assets						
Property, plant and equipment	**–**	–	**2,648**	5,760	**2,648**	5,760

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment assets and liabilities

As at 31 December 2014

	Continuing operations		
	Securities investments *HK$'000*	**Manufacturing and trading of hard and stuffed toys** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**14,899**	**298,794**	**313,693**
Unallocated corporate assets			**219,474**
Total assets			**533,167**
Reportable segment liabilities	**–**	**(221,334)**	**(221,334)**
Unallocated corporate liabilities			**(6,024)**
Total liabilities			**(227,358)**

As at 31 December 2013

	Continuing operations		
	Securities investments *HK$'000*	Manufacturing and trading of hard and stuffed toys *HK$'000*	Total *HK$'000*
Reportable segment assets	123,596	276,822	400,418
Assets relating to the Beverage Segment			112,813
Unallocated corporate assets			9,876
Total assets			523,107
Reportable segment liabilities	–	(143,296)	(143,296)
Liabilities relating to the Beverage Segment			(38,247)
Unallocated corporate liabilities			(3,664)
Total liabilities			(185,207)

Note: There were no inter-segment sales in both years.

6. REVENUE AND SEGMENT REPORTING (Continued)

(c) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from continuing operations and (ii) the Group's non-current assets include property, plant and equipment, prepaid land premiums, intangible assets and goodwill. The geographical location of customers refers to the customers' place of domicile. The geographical locations of property, plant and equipment and prepaid land premiums are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which these assets are allocated.

	Revenue from continuing operations		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**93,567**	27,366	**2,901**	5,476
The PRC	**–**	–	**123,140**	147,455
United States and Canada	**302,047**	267,091	**–**	–
Japan and Europe	**27,339**	35,701	**–**	–
	422,953	330,158	**126,041**	152,931

(d) Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue from manufacturing and trading of hard and stuffed toys:		
The largest customer	**152,260**	227,067
Second largest customer	**67,175**	36,471
Third largest customer	**63,750**	3,527
Fourth largest customer	**43,400**	15,039

7. OTHER INCOME AND GAIN

	2014 HK$'000	2013 HK$'000 (Restated)
Continuing operations		
Bank interest income	**83**	87
Other interest income	**390**	1,073
Fair value gain on derivative financial instruments	**–**	4,487
Mould income	**3,293**	856
Sublet rental income *(note 36(b))*	**260**	741
Subcontracting income *(note 36(b))*	**575**	2,991
Sundry income	**3,028**	1,858
	7,629	12,093

8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

The Group's loss before taxation from continuing operations is arrived at after charging/(crediting) the following:

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Continuing operations			
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**148,137**	126,116
Other employee benefits		**3,891**	2,370
Contributions to defined contribution retirement plans		**11,946**	11,416
Equity-settled share-based payments	31	**26,500**	–
		190,474	139,902
Auditors' remuneration		**1,500**	1,100
Cost of inventories		**388,337**	270,357
Depreciation of property, plant and equipment		**9,557**	9,808
Amortisation of prepaid land premiums	16	**152**	152
Impairment loss on goodwill	18	**834**	–
Impairment loss on property, plant and equipment	15	**7,084**	–
Net foreign exchange loss		**244**	3,910
Write down of inventories, net (included in cost of sales)		**21,066**	12,373
Fair value loss/(gain) on derivative financial instruments		**3,109**	(4,487)
Loss on disposal of property, plant and equipment, net		**180**	524
Operating lease charges in respect of land and buildings		**5,882**	7,318

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interest on bank loans and overdrafts wholly repayable within five years	**5,643**	4,579

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance and chief executive's remuneration for the year, are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
2014					
Executive directors:					
Mr. Gao Feng *(Note i)*	–	264	11	2,640	2,915
Ms. Liu Ying *(Note ii)*	–	155	–	2,640	2,795
Mr. Zhang Jack Jiyei *(Note iii)*	–	1,054	3	2,640	3,697
Mr. Wu Jiang *(Note iv)*	–	197	11	1,741	1,949
Ms. Danita On *(Note v)*	–	164	8	–	172
Ms. Wang Jingyu *(Note vi)*	–	155	8	–	163
	–	1,989	41	9,661	11,691
Independent non-executive directors:					
Mr. Kwok Ming Fai *(Note vi)*	83	–	–	–	83
Mr. Wong Kwok Tai	95	–	–	–	95
Ms. Leung Pik Har, Christine *(Note vi)*	83	–	–	–	83
Mr. Li Fang *(Note vii)*	13	–	–	264	277
Ms. Yang Qinyan *(Note vii)*	13	–	–	264	277
	287	–	–	528	815
Non-executive directors:					
Mr. Sue Ka Lok *(Note viii)*	109	–	–	–	109
Mr. Lo Ming Chi, Charles *(Note ix)*	130	–	7	–	137
Ms. Chan Yuk Yee *(Note x)*	130	–	7	–	137
	369	–	14	–	383
	656	1,989	55	10,189	12,889

As at 31 December 2014, the directors held share options under the Company's share option scheme (note 31).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Notes:

(i) Appointed on 18 June 2014 and is the Acting Chairman of the Board.
(ii) Appointed on 27 November 2014 and is the Acting Chief Executive Officer of the Group.
(iii) Appointed on 4 November 2014 and is the Chief Financial Officer of the Group.
(iv) Appointed on 1 August 2014.
(v) Resigned on 18 June 2014.
(vi) Resigned on 10 November 2014.
(vii) Appointed on 10 November 2014.
(viii) Resigned on 27 November 2014.
(ix) Re-designated as Non-executive director on 10 November 2014.

	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2013				
Executive directors:				
Mr. Lo Ming Chi, Charles	–	289	14	303
Ms. Danita On	–	468	23	491
Ms. Chan Yuk Yee	–	130	7	137
Ms. Wang Jingyu	–	240	11	251
	–	1,127	55	1,182
Independent non-executive directors:				
Mr. Kwok Ming Fai	96	–	–	96
Mr. Wong Kwok Tai	96	–	–	96
Ms. Leung Pik Har, Christine	96	–	–	96
	288	–	–	288
Non-executive director:				
Mr. Sue Ka Lok	120	–	–	120
	408	1,127	55	1,590

There was no arrangement under which a director has waived or agreed to waive any remuneration for the years ended 31 December 2014 and 2013.

No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for the loss of office for the years ended 31 December 2014 and 2013.

11. EMPLOYEES' REMUNERATION

The five highest paid employees during the year included four (2013: one) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2013: four) individuals were as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,992**	4,594
Retirement scheme contributions	**50**	152
	2,042	4,746

The remuneration of employees falls within the following bands:

	No. of individuals	
	2014	2013
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1

For the years ended 31 December 2014 and 2013, no remuneration was paid by the Group to such individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

12. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current – Hong Kong		
Charge for the year	**–**	41
Over provision in prior year	**–**	(7)
	–	34
Current – The PRC		
Charge for the year	**1,701**	989
Deferred tax charge	**172**	105
Income tax expense	**1,873**	1,128

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The tax affairs of a subsidiary (incorporated in Hong Kong) of the Group for the period starting from 1 January 2004 are currently under field audit by the Hong Kong Inland Revenue Department ("IRD"). The directors, after consultation with the subsidiary's tax advisers, consider that the IRD is still in the information gathering stage and it is premature to quantify the amount of potential liabilities of the subsidiary, if any, that may arise.

Enterprise Income Tax ("EIT") in the PRC has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2013: 25%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a double tax agreement between the PRC and Hong Kong and the relevant Hong Kong Companies should be qualified for the preferential tax rate based on the prescribed conditions.

12. INCOME TAX EXPENSE (Continued)

The Group is therefore liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

Reconciliation between income tax expense and accounting loss at the applicable tax rates:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Loss before taxation from continuing operations	**(116,523)**	(35,392)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(20,806)**	(4,983)
Tax effect of unused tax losses not recognised	**11,864**	5,827
Tax effect of non-taxable income	**(163)**	(447)
Tax effect of non-deductible expenses	**7,026**	2,280
Tax effect of unrecognised temporary differences	**3,780**	(1,647)
Effect of withholding tax at 5% on the distributable profits of the Company's subsidiaries in the PRC	**172**	105
Over provision in prior years	**–**	(7)
Income tax expense	**1,873**	1,128

13. DISCONTINUED OPERATION

During the year ended 31 December 2014, the Group entered into a disposal agreement to dispose of the Beverage Segment at a consideration of HK$65,000,000. The disposal was completed on 15 September 2014. Details of the disposal are disclosed in note 37.

The loss from the discontinued operation which has been included in the consolidated statement of profit or loss and consolidated statement of cash flows are set out below:

	1 January 2014 to 15 September 2014 *HK$'000*	1 January 2013 to 31 December 2013 *HK$'000*
Loss for the year from discontinued operation		
Revenue	**3,103**	12,339
Cost of sales	**(2,247)**	(5,281)
Gross profit	**856**	7,058
Other income and gain	**823**	2,531
Selling and distribution costs	**(398)**	(5,388)
Administrative expenses	**(7,713)**	(14,393)
Other operating expenses	**(172)**	(237)
Loss before taxation	**(6,604)**	(10,429)
Income tax credit	**22**	126
Loss after taxation	**(6,582)**	(10,303)
Gain on disposal of subsidiaries *(note 37)*	**2,960**	–
Loss for the year from discontinued operation	**(3,622)**	(10,303)
Loss for the year from discontinued operation attributable to:		
Owners of the Company	**(2,457)**	(8,479)
Non-controlling interests	**(1,165)**	(1,824)
	(3,622)	(10,303)
Loss for the year from discontinued operation is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**1,541**	2,416
Amortisation of intangible assets	**90**	126
Loss on disposal of property, plant and equipment	**12**	35
Loss on disposal of intangible assets	**71**	–
Reversal of allowance for impairment loss of trade receivables	**–**	(14)
Bank interest income	**(836)**	(2,487)
Cash flows from discontinued operation		
Net cash used in operating activities	**(2,040)**	(1,625)
Net cash generated from investing activities	**1,517**	55
Net cash outflows from discontinued operation	**(523)**	(1,570)

14. LOSS PER SHARE

From continuing and discontinued operations

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

	2014 HK$'000	2013 HK$'000
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(120,853)**	(44,999)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,811,156**	1,686,409

From continuing operations

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

	2014 HK$'000	2013 HK$'000
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(118,396)**	(36,520)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,811,156**	1,686,409

From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK0.14 cent per share (2013: basic and diluted loss of HK0.50 cent per share), calculated based on the loss attributable to owners of the Company from the discontinued operation of HK$2,457,000 (2013: HK$8,479,000) and the weighted average number of ordinary shares of 1,811,156,000 (2013: 1,686,409,000).

The computation of diluted loss per share for the year ended 31 December 2014 does not assume the exercise of share options granted by the Company since such assumed exercise would be anti-dilutive. These was no potential dilutive ordinary shares outstanding for the year ended 31 December 2013.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
2014						
At 1 January 2014						
Cost or valuation	105,900	5,020	138,832	33,917	6,447	290,116
Accumulated depreciation	–	(2,794)	(115,065)	(22,412)	(5,014)	(145,285)
Carrying amount	105,900	2,226	23,767	11,505	1,433	144,831
Year ended 31 December 2014						
Opening net carrying amount	105,900	2,226	23,767	11,505	1,433	144,831
Additions	–	–	1,175	826	674	2,675
Disposals	–	(722)	(2,779)	(33)	(84)	(3,618)
Surplus on revaluation	2,609	–	–	–	–	2,609
Depreciation	(3,309)	(273)	(3,917)	(3,193)	(406)	(11,098)
Disposal of subsidiaries *(note 37)*	–	(995)	(4,555)	(607)	(93)	(6,250)
Impairment loss recognised	–	(35)	(3,639)	(2,910)	(500)	(7,084)
Exchange realignment	–	(11)	(498)	(52)	(10)	(571)
Closing net carrying amount	105,200	190	9,554	5,536	1,014	121,494
At 31 December 2014						
Cost or valuation	105,200	1,088	62,420	31,649	4,675	205,032
Accumulated depreciation	–	(898)	(52,866)	(26,113)	(3,661)	(83,538)
Carrying amount	105,200	190	9,554	5,536	1,014	121,494
Analysis of cost or valuation:						
At cost	–	1,088	62,420	31,649	4,675	99,832
At valuation	105,200	–	–	–	–	105,200
	105,200	1,088	62,420	31,649	4,675	205,032

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
2013						
At 1 January 2013						
Cost or valuation	98,800	5,956	134,206	31,002	6,596	276,560
Accumulated depreciation	–	(2,148)	(109,337)	(19,848)	(5,047)	(136,380)
Carrying amount	98,800	3,808	24,869	11,154	1,549	140,180
Year ended 31 December 2013						
Opening net carrying amount	98,800	3,808	24,869	11,154	1,549	140,180
Additions	–	1	2,014	3,247	498	5,760
Disposals	–	(864)	(142)	(127)	(324)	(1,457)
Surplus on revaluation	10,094	–	–	–	–	10,094
Depreciation	(2,994)	(772)	(5,073)	(3,049)	(336)	(12,224)
Exchange realignment	–	53	2,099	280	46	2,478
Closing net carrying amount	105,900	2,226	23,767	11,505	1,433	144,831
At 31 December 2013						
Cost or valuation	105,900	5,020	138,832	33,917	6,447	290,116
Accumulated depreciation	–	(2,794)	(115,065)	(22,412)	(5,014)	(145,285)
Carrying amount	105,900	2,226	23,767	11,505	1,433	144,831
Analysis of cost or valuation:						
At cost	–	5,020	138,832	33,917	6,447	184,216
At valuation	105,900	–	–	–	–	105,900
	105,900	5,020	138,832	33,917	6,447	290,116

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The carrying amounts of the leasehold buildings of the Group at 31 December 2014 would have been approximately HK$45,873,000 (2013: HK$47,353,000) had they been carried at cost less accumulated depreciation.

(b) At 31 December 2014, the Group's leasehold buildings in the PRC with carrying amounts of approximately HK$105,200,000 (2013: HK$105,900,000) were pledged to secure general banking facilities granted to the Group (note 28).

(c) At 31 December 2013, the Group's property, plant and equipment with a total carrying amount of approximately HK$6,708,000 were placed in the subcontractors' factory. During the year, all these property, plants and equipment were derecognised upon disposal of subsidiaries (note 37).

(d) The leasehold buildings situated in the PRC of HK$105,200,000 (2013: HK$105,900,000) are located on the leasehold land as disclosed in note 16 to the consolidated financial statements.

(e) Due to the Group's recurring loss resulted in the Toys Segment, the directors of the Company conducted an impairment assessment of the Group's relevant assets at the end of the reporting period. The fair values of the relevant assets were determined by reference to the depreciated replacement cost approach. The fair value measurement of the relevant assets are categorised as Level 3 fair value hierarchy as at 31 December 2014. During the year ended 31 December 2014, impairment loss on property, plant and equipment of HK$7,084,000 (2013: Nil) was recognised.

(f) Fair value measurement of leasehold buildings

Fair value hierarchy

The following table presents the fair value of the Group's leasehold buildings 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*.

	Fair value at 31 December 2014	**Fair value measurement as at 31 December 2014 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
The Group				
Recurring fair value measurement				
Leasehold buildings in the PRC	**105,200**	**–**	**–**	**105,200**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) Fair value measurement of leasehold buildings (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2013 *HK$'000*	Fair value measurement as at 31 December 2013 categorised into Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
The Group				
Recurring fair value measurement				
Leasehold buildings in the PRC	105,900	–	–	105,900

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil).

The Group's leasehold buildings were revalued at 31 December 2014 by reference to a depreciated replacement cost basis calculated based on the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuations were carried out by an independent firm of surveyors, RHL Appraisal Limited, whose has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's finance department had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the annual reporting date.

Information about Level 3 fair value measurements

For the years ended 31 December 2014 and 2013

	Valuation techniques	**Unobservable input**	**Range**	**Weighted average**
Leasehold buildings in the PRC	Depreciated replacement cost approach	General increasing rate of construction cost	13% to 20%	16%

A significant increase in the general increasing rate of construction cost would result in a significant increase in fair value, and vice versa.

There has been no change to the valuation technique in the current and prior year.

In estimating the fair value of the properties, the highest and best use of the properties are their current use.

16. PREPAID LAND PREMIUMS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Current portion	**152**	152
Non-current portion	**4,547**	4,699
	4,699	4,851

At 31 December 2014, the Group's prepaid land premiums in the PRC with carrying amounts of approximately HK$4,699,000 (2013: HK$4,851,000) were pledged to secure general banking facilities granted to the Group (note 28).

The leasehold land is held under a medium term lease and is situated in the PRC.

17. INTANGIBLE ASSETS

The Group

	Golf club membership HK$'000	Trademark HK$'000	Customer relationships HK$'000	Total HK$'000
Cost				
At 1 January 2013	600	98,668	738	100,006
Exchange realignment	–	3,084	24	3,108
At 31 December 2013 and 1 January 2014	600	101,752	762	103,114
Disposal	(600)	–	–	(600)
Disposal of subsidiaries *(note 37)*	–	(100,909)	(756)	(101,665)
Exchange realignment	–	(843)	(6)	(849)
At 31 December 2014	**–**	**–**	**–**	**–**
Accumulated amortisation				
At 1 January 2013	150	96,492	738	97,380
Amortisation	–	126	–	126
Exchange realignment	–	3,017	24	3,041
At 31 December 2013 and 1 January 2014	150	99,635	762	100,547
Amortisation	–	90	–	90
Disposal	(150)	–	–	(150)
Disposal of subsidiaries *(note 37)*	–	(98,899)	(756)	(99,655)
Exchange realignment	–	(826)	(6)	(832)
At 31 December 2014	**–**	**–**	**–**	**–**
Carrying amount				
At 31 December 2014	**–**	**–**	**–**	**–**
At 31 December 2013	450	2,117	–	2,567

18. GOODWILL

The Group

For the purpose of impairment testing, goodwill is allocated to the cash-generating units ("CGUs") identified according to operating segments as follows:

	Beverage Segment *HK$'000*	Toys Segment *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2013	341,557	834	342,391
Exchange realignment	10,674	–	10,674
At 31 December 2013 and 1 January 2014	352,231	834	353,065
Disposal of subsidiaries *(note 37)*	(349,312)	–	(349,312)
Exchange realignment	(2,919)	–	(2,919)
At 31 December 2014	**–**	**834**	**834**
Accumulated impairment loss			
At 1 January 2013	341,557	–	341,557
Exchange realignment	10,674	–	10,674
At 31 December 2013 and 1 January 2014	352,231	–	352,231
Disposal of subsidiaries *(note 37)*	(349,312)	–	(349,312)
Impairment loss	–	834	834
Exchange realignment	(2,919)	–	(2,919)
At 31 December 2014	**–**	**834**	**834**
Carrying amount			
At 31 December 2014	**–**	**–**	**–**
At 31 December 2013	–	834	834

Impairment loss of HK$834,000 (2013: nil) was recognised during the year ended 31 December 2014 in relation to the losses incurred in the Toys Segment.

19. REFUNDABLE DEPOSITS

Refundable deposits of HK$100,000,000 were paid to two independent individuals in relation to the acquisition of Ankai (Tianjin) Holding Co., Ltd. ("Ankai Tianjin"), a company established in the PRC, as detailed in note 35(a). Ankai Tianjin is wholly-owned by these two independent individuals. The refundable deposits will be refunded if the framework agreement for the acquisition of Ankai Tianjin is subsequently terminated.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**156,726**	156,726
Amounts due from subsidiaries	**276,556**	816,651
	433,282	973,377
Less: Impairment losses	**(275,498)**	(675,669)
	157,784	297,708

Notes:

(a) The amounts advanced to the subsidiaries included in the interests in subsidiaries above were unsecured and had no fixed terms of repayment. Included in the amounts advanced to subsidiaries with a gross amount of approximately HK$220,640,000 (2013: HK$213,407,000) bore interest at an interest rate of prime rate less 2.5% (2013: prime rate less 2.5%) per annum with provision for impairment losses of HK$147,198,000 (2013: HK$42,745,000) recognised. The remaining balance of amounts advanced to subsidiaries with a gross amount of approximately HK$157,799,000 (2013: HK$603,244,000) are non-interest bearing with provision for impairment losses of HK$55,887,000 (2013: HK$577,008,000) recognised. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) At 31 December 2014, an impairment loss of approximately HK$72,413,000 (2013: HK$55,916,000) has been recognised for investment cost in one of its unlisted subsidiaries because that subsidiary has also recognised an impairment loss in respect of its subsidiaries, which were loss-making.

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Registered capital paid up	2014 Percentage of equity attributable to the Company		2013 Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	Direct	Indirect	
Alliance Credit Services Limited	Hong Kong	Ordinary HK$10,000	–	100%	–	100%	Provision of credit finance services
Alliance Winner Limited**	British Virgin Islands	Ordinary US$1	–	–	–	100%	Investment holding
Big Crown Investments Limited	Hong Kong	Ordinary HK$1	–	100%	–	100%	Trading of securities
Billion Pride Group Limited	British Virgin Islands	Ordinary US$1	100%	–	–	–	Investment holding
Central Information Limited	Hong Kong	Ordinary HK$100	–	100%	–	100%	Trading of securities and provision of management services
Chongxin Co., Limited	Hong Kong	Ordinary HK$1	–	100%	–	100%	Investment holding
Jiming Limited	British Virgin Islands	Ordinary US$1	100%	–	100%	–	Investment holding
Luxtone HK Limited	Hong Kong	Ordinary HK$1	–	100%	–	–	Investment holding
Sewco (B.V.I.) Limited	British Virgin Islands	Ordinary US$401	100%	–	100%	–	Investment holding
Sewco Toys & Novelty Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$420,000	–	100%	–	100%	Investment holding and trading of toys products
Talent Management Services Limited	Hong Kong	Ordinary HK$1	–	100%	–	–	Provision of management services
撫州崇信玩具製品有限公司 (Fuzhou Chongxin Toys Manufacturing Co. Ltd.*)#	The PRC	Paid-up registered HK$1,300,000	–	100%	–	100%	Manufacturing and sales of toys products

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration	Registered capital paid up	2014 Percentage of equity attributable to the Company		2013 Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	Direct	Indirect	
中山崇高玩具製品廠有限公司 (Zhongshan Sewco Toys & Novelty Limited*)#	The PRC	Paid-up registered HK$124,300,000	–	100%	–	100%	Manufacturing and sales of toys products
大亨（天津）食品工業有限公司 (Daheng (Tianjin) Foods Industry Co, Ltd.*)#**	The PRC	Paid-up registered US$6,000,000	–	–	–	82.3%	Distribution and sales of beverage products
大亨果汁（天津）有限公司 (Daheng Beverage (Tianjin) Co. Ltd.*)#**	The PRC	Paid-up registered US$14,998,500	–	–	–	82.3%	Distribution and sales of beverage products
天津大亨食品銷售有限公司##**	The PRC	Paid-up registered RMB10,000,000	–	–	–	82.3%	Distribution of beverage products
山枝（天津）飲料銷售有限公司##**	The PRC	Paid-up registered RMB5,000,000	–	–	–	82.3%	Distribution and sales of pre-packed beverage products
北京琉石網絡技術有限公司#	The PRC	Nil	–	100%	–	–	Investment holding

\# A wholly foreign-owned enterprise registered in the PRC.
\## These companies are registered under the laws of the PRC as limited liability companies.
* For identification purpose only.
** Disposed of during the year ended 31 December 2014.

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

The registered capital of Fuzhou Chongxin Toys Manufacturing Co. Ltd. was increased from HK$1,000,000 to HK$1,300,000 in February 2013.

The registered capital of Zhongshan Sewco Toys & Novelty Limited was increased from HK$123,800,000 to HK$124,300,000 in April 2013.

21. TRADING SECURITIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at fair value	**14,232**	103,167

22. INVENTORIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**27,861**	45,754
Work in progress	**32,168**	28,577
Finished goods	**18,396**	29,817
	78,425	104,148

The bank borrowings of a subsidiary were secured by inventories amounting to approximately HK$7,030,000 as at 31 December 2013. There was no pledge of inventories as at 31 December 2014 (note 28).

23. TRADE RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**56,390**	23,601
Less: Allowance for impairment loss	**–**	(3,928)
	56,390	19,673

23. TRADE RECEIVABLES (Continued)

Ageing analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date which is approximate to the revenue recognition date and net of allowance:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**26,839**	12,728
31 to 90 days	**25,399**	4,911
Over 90 days	**4,152**	2,034
	56,390	19,673

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

Impairment of trade receivables

The movement in allowance for impairment of trade receivables is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**3,928**	3,823
Disposal of subsidiaries *(note 37)*	**(3,895)**	–
Reversal of allowance for impairment loss of trade receivables	**–**	(14)
Exchange realignment	**(33)**	119
At 31 December	**–**	3,928

At the end of the reporting period, the Group reviews trade receivables for evidence of impairment on both an individual and a collective basis. The impairment on receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. As at 31 December 2014, none (2013: HK$3,928,000) of trade receivables of the Group were individually determined to be impaired due to financial difficulties of the customer.

23. TRADE RECEIVABLES (Continued)

Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**46,570**	14,796
Past due but not impaired		
Less than 1 month past due	**7,039**	2,981
1 to 3 months past due	**2,781**	1,272
Over 3 months	**–**	624
	56,390	19,673

Trade receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Trade 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, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The disclosures for factoring of financial assets relating to trade receivables factoring arrangements are provided in note 40.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**7,099**	8,971	**–**	–
Deposits	**19**	2,537	**–**	–
Prepayment	**1,933**	1,490	**441**	370
	9,051	12,998	**441**	370

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

At 31 December 2014, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$14,255,000 (2013: HK$89,086,000). Renminbi is not freely convertible into other currencies. However, subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Bank balances carried interest rates which ranged from 0.001% to 0.385% per annum (2013: 0.001% to 3.25% per annum). The bank balances were deposited with creditworthy banks with no recent history of default.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities and bank borrowings granted to the Group. As at 31 December 2014, deposits amounting to HK$2,997,000 (2013: HK$4,599,000) were pledged to secure bank borrowings (note 28). The pledged bank deposits would be released upon the settlement of relevant bank borrowings.

The interest rates on the pledged bank deposits was 0.001% per annum (2013: ranged from 0.001% to 0.35% per annum).

26. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables as at 31 December 2014 is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**18,292**	10,153
31 to 90 days	**35,427**	10,091
Over 90 days	**14,358**	2,954
	68,077	23,198

Notes: The trade and bills payables are expected to be settled within one year.

27. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**21,852**	51,477	**5,765**	3,149
Receipt in advance	**10,820**	8,662	**–**	–
Amounts due to directors	**130**	61	**–**	34
Accruals	**3,025**	9,256	**–**	–
Amount due to a subsidiary	**–**	–	**110**	1,046
	35,827	69,456	**5,875**	4,229

As at 31 December 2014, included in other payables was an amount of approximately HK$13,593,000 (2013: HK$12,372,000) accrued staff cost and nil (2013: HK$23,702,000, equivalent to RMB18,635,000) payable for the acquisition of property, plant and equipment for the Beverage Segment.

The amounts due to directors and a subsidiary are unsecured, interest-free and have no fixed terms of repayment.

28. BANK BORROWINGS

	The Group			
	2014		2013	
	Contractual interest rate (%)	***HK$'000***	Contractual interest rate (%)	*HK$'000*
Current				
Bank loans – secured	**Fixed rates of 4.3% to 5.3% per annum**	**107,770**	Fixed rates of 3.6% to 5.5% per annum	78,701
Bank loans – secured	**2.5% per annum over 3 months London Interbank Offered Rate**	**4,733**	2.5% per annum over 3 months Singapore Interbank Offered Rate	1,630
		112,503		80,331

The above bank loans are repayable within one year and carried at amortised costs.

Notes:

(a) The Group's bank borrowings were secured by:

(i) mortgage over the Group's leasehold buildings (note 15) and prepaid land premiums (note 16) with aggregate carrying amount of approximately HK$105,200,000 (2013: HK$105,900,000) and approximately HK$4,699,000 (2013: HK$4,851,000) respectively;

(ii) pledge over the Group's bank deposits (note 25) of approximately HK$2,997,000 (2013: HK$4,599,000);

(iii) pledge over the Group's inventories of approximately HK$7,030,000 as at 31 December 2013 (note 22). There was no pledge of the Group's inventories as at 31 December 2014; and

(iv) the Group's trade receivables of approximately HK$5,568,000 (2013: HK$1,917,000) pursuant to a trade receivable factoring arrangement with a bank (note 40).

(b) The total banking facilities granted to the Group amounted to approximately HK$112,608,000 (2013: HK$138,484,000) of which approximately HK$112,503,000 (2013: HK$80,331,000) were utilised as at 31 December 2014.

29. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities recognised

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerate tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Fair value adjustment on tangible assets upon business combination *HK$'000*	Tax losses *HK$'000*	Withholding tax on undistributed profits *HK$'000*	Total *HK$'000*
Deferred tax arising from:						
At 1 January 2013	612	5,511	468	(934)	1,347	7,004
Deferred tax (credited)/charged to profit or loss for the year	–	–	(33)	–	105	72
Deferred tax charged to other comprehensive income for the year	–	426	–	–	–	426
Exchange realignment	(38)	(2)	94	–	27	81
At 31 December 2013 and 1 January 2014	574	5,935	529	(934)	1,479	7,583
Deferred tax (credited)/charged to profit or loss for the year	–	–	(22)	–	172	150
Deferred tax credited to other comprehensive income for the year	–	(42)	–	–	–	(42)
Disposal of subsidiaries *(note 37)*	1,261	–	(506)	–	(875)	(120)
Exchange realignment	–	–	(1)	–	(1)	(2)
At 31 December 2014	**1,835**	**5,893**	**-**	**(934)**	**775**	**7,569**

Deferred tax assets not recognised

The Group has estimated tax losses arising in Hong Kong of approximately HK$323,119,000 (2013: HK$252,568,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose. The Group has tax losses of approximately HK$1,192,000 (2013: HK$42,324,000) available for offsetting against future profits that may be carried forward for up to five years for EIT purpose.

30. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	**2014**	2013
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At 31 December,				
ordinary shares of HK$0.10 each	**7,000,000**	7,000,000	**700,000**	700,000
Issued and fully paid:				
At 1 January	**1,686,409**	1,686,409	**168,641**	168,641
Issue of ordinary shares *(note)*	**337,280**	–	**33,728**	–
At 31 December	**2,023,689**	1,686,409	**202,369**	168,641

Note:

Issue of ordinary shares by private placement under general mandate

On 4 August 2014, the Company entered into a private placement agreement with a placing agent to issue 337,280,000 new ordinary shares of HK$0.1 each to independent private investors at a price of HK$0.205 per share representing a discount of approximately 19.6% to the closing market price of the Company's shares on 4 August 2014. The private placement was completed on 19 August 2014.

The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25 July 2014 and rank pari passu with other shares in issue in all respects.

Issue of ordinary shares, bonds and/or convertible bonds by private placement under specific mandates

On 29 December 2014, the Company and a placing agent (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Placing Agent procures investors to subscribe for a total of up to 280,000,000 ordinary shares of the Company at HK$0.285 and bonds and/or convertible bonds in an aggregate principal amount of up to US$80,000,000 (equivalent to HK$622,400,000).

Completion of the private placement was subject to the satisfaction of the conditions precedent in the placing agreement. On 6 March 2015, the placing agreement was terminated due to the change of funding needs of the Group as a result of the termination of the framework agreement as mentioned in note 35(b).

31. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 July 2014 and the purpose of the Scheme is to reward participants (the "Grantees", including but not limited to directors, employees, advisors and consultants of the Group) who have contributed or will contribute to the Group and to encourage Grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

As at 31 December 2014, the number of shares in respect of which options have been granted and remained outstanding under the Scheme was 168,640,000 (2013: nil), representing 8.3% (2013: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive directors in excess of 0.1% of the Company's share capital and having an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of share options granted during the year under the Scheme are as follows:

Date of grant	Exercise period	Exercise price HK$ per share	Share closing price immediately before grant date HK$ per share
30 December 2014	30 December 2014 to 29 December 2019	0.305	0.270

31. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The movement of share options under the Scheme during the year is presented as follows:

	Number of share options		
	At 1 January 2014 '000	Granted during the year '000	At 31 December 2014 '000
Executive directors			
Mr. Gao Feng	–	16,800	16,800
Ms. Liu Ying	–	16,800	16,800
Mr. Zhang Jack Jiyei	–	16,800	16,800
Mr. Wu Jiang	–	11,080	11,080
	–	61,480	61,480
Independent non-executive directors			
Mr. Li Fang	–	1,680	1,680
Ms. Yan Qinyan	–	1,680	1,680
	–	3,360	3,360
Employees	–	7,000	7,000
Other participants	–	96,800	96,800
Total	–	168,640	168,640

Notes:

(a) The share options granted to directors, employees and other participants are vested immediately upon granted.

(b) There were no share options cancelled or lapsed during the year.

31. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The fair value of share options granted during the year in the amount of approximately HK$26,500,000 was recognised as expenses. The Company had used the Binomial Option Pricing Model to value the share options granted during the year.

The following major assumptions were used to calculate the fair values of share options:

	As at 30 December 2014
Grant date share price	HK$0.305
Exercisable period	5 years
Exercise price	HK$0.305
Expected volatility	66%
Expected dividend yield	0%
Risk-free interest rate	1.471%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The fair value of share option varies with different variables of certain subjective assumptions. The expected volatility was determined with reference to the historical daily volatilities of the share prices of the Company. The risk-free interest rate was determined with reference to the period average yields of the Exchange Fund Bills and Notes of comparable term issued by the Hong Kong Monetary Authority.

32. RESERVES

The Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2013	684,503	152,762	–	(710,869)	126,396
Total comprehensive loss for the year	–	–	–	(1,036)	(1,036)
At 31 December 2013 and 1 January 2014	684,503	152,762	–	(711,905)	125,360
Total comprehensive loss for the year	–	–	–	(117,491)	(117,491)
Issue of shares	35,414	–	–	–	35,414
Transaction costs attributable to issue of shares	(1,844)	–	–	–	(1,844)
Recognition of equity-settled share-based payments	–	–	26,500	–	26,500
At 31 December 2014	**718,073**	**152,762**	**26,500**	**(829,396)**	**67,939**

Dividends

No dividend was paid or proposed by the directors for both years nor has any dividend been proposed since the end of the reporting period.

33. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

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

33. CAPITAL MANAGEMENT (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt ("adjusted capital"). Net debt includes bank borrowings, trade and bills payables, other payables and accruals, less cash and cash equivalents and pledged bank deposits. Capital represents total equity. The net debt-to-adjusted capital ratio as at the end of the reporting period was as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Bank borrowings	**112,503**	80,331
Trade and bills payables	**68,077**	23,198
Other payables and accruals	**35,827**	69,456
Less: Pledged bank deposits	**(2,997)**	(4,599)
Cash and cash equivalents	**(145,879)**	(125,439)
Net debt	**67,531**	42,947
Total equity	**305,809**	337,900
Capital and net debt	**373,340**	380,847
Gearing ratio	**18%**	11%

34. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,138**	5,434
In the second to fifth year, inclusive	**156**	1,755
	1,294	7,189

The Group is a lessee in respect of a number of properties held under operating leases. Leases for these properties are negotiated for a term of one to two years (2013: one to ten years) with an early termination option. None of the leases includes contingent rentals.

The Group as lessor

The Group's total future minimum lease income under non-cancellable operating lease is receivable as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**16**	16

The Group leases out its motor vehicle under operating lease. The lease typically runs for an initial period of one year. The lease does not include contingent rentals.

35. CAPITAL COMMITMENTS

(a) Acquisition of Ankai Tianjin

On 18 November 2014, the Group entered into the framework agreement with two independent individuals who are the shareholders of Ankai Tianjin. Ankai Tianjin is principally engaged in insurance brokerage and media businesses. Pursuant to the framework agreement, the Group conditionally agreed to acquire the entire right of control and economic interests of Ankai Tianjin through structured contracts at a cash consideration of HK$120,000,000. Refundable deposits of HK$100,000,000 were paid to the two independent individuals as set out in note 19. As at 31 December 2014, there was a capital commitment of HK$20,000,000 in relation to the acquisition of Ankai Tianjin.

Completion of the acquisition of Ankai Tianjin was subject to the satisfaction of the conditions precedent in the framework agreement. As at 31 December 2014, the acquisition was in the process.

(b) Acquisition of Beijing Weiying Times Technology Co., Ltd. (北京微影時代科技有限公司) ("Beijing Weiying")

On 29 December 2014, the Group entered into a framework agreement with independent third parties (the "Vendors") pursuant to which the Group had conditionally agreed to acquire approximately 19.1% effective right of control and economic interests of Beijing Weiying, which principally engaged in on-line movie ticketing services, through structured contracts at a consideration of HK$296,885,000, which shall be settled by cash of HK$75,000,000 and by the issue of 778,543,000 new ordinary shares of the Company at HK$0.285 each.

Subsequently in March 2015, the Group and the Vendors entered into a termination agreement to terminate the framework agreement as certain conditions precedent in the framework agreement could not be satisfied.

The Group had no material capital commitments as at 31 December 2013.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The key management personnel of the Group are the directors and chief executives of the Company. Details of their remuneration as set out in note 10.

(b) The Group had the following material transactions with related parties during the year:

	2014	2013
	HK$'000	*HK$'000*
Rental expense *(note (i))*	**467**	514
Sublet rental income *(note (ii))*	**260**	741
Rental income for motor vehicle *(note (ii))*	**192**	144
Subcontracting income (note *(iii))*	**575**	2,991

Notes:

(i) The rental expenses of HK$107,000 (2013: HK$514,000) were paid to a company controlled by a person who was holding a 17.7% shareholding in a subsidiary of the Company. Another rental expense of HK$360,000 (2013: nil) was paid to a related company in which a director of the Company has significant influence.

(ii) The sublet rental income and rental income for motor vehicle were received from two companies, which were controlled/significantly influenced by a substantial shareholder of the Company, for leasing part of office premises and a motor vehicle from the Group respectively.

(iii) The Group received subcontracting income from New Island Printing Company Limited, a company indirectly owned as to approximately 62.6% by the ultimate controlling shareholder of the Company.

In the opinion of the directors, the above transactions were conducted on terms mutually agreed by the Group and the related parties.

37. DISPOSAL OF SUBSIDIARIES

On 15 September 2014, the Group entered into a disposal agreement with an independent third party to dispose of (i) the entire issued share capital of Alliance Winner Limited ("Alliance Winner") and (ii) the benefit of and the interest in loans owed by Alliance Winner and its subsidiaries (collectively the "Alliance Winner Group") to the Group, at a total consideration of HK$65,000,000. The disposal was completed on 15 September 2014. The disposal of Alliance Winner Group constituted a discontinued operation of the Group's Beverage Segment as described in note 13.

The aggregated net assets of the subsidiaries at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment *(note 15)*	**6,250**
Intangible assets *(note 17)*	**2,010**
Inventories	**13,358**
Trade receivables	**5,268**
Less: Allowance for impairment loss *(note 23)*	**(3,895)**
Prepayments, deposits and other receivables	**5,758**
Cash and cash equivalents	**79,726**
Trade payables	**(123)**
Other payables and accruals	**(41,121)**
Deferred tax liabilities *(note 29)*	**(120)**
	67,111
Gain on disposal of subsidiaries	
Consideration received	**65,000**
Net assets disposed of	**(67,111)**
Non-controlling interests	**(16,472)**
Cumulative exchange gain in respect of the net assets of subsidiaries reclassified from equity to profit or loss	**21,543**
	2,960
Net cash outflow from disposal of subsidiaries:	
Cash consideration received	**65,000**
Cash and cash equivalents disposed of	**(79,726)**
	(14,726)

38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss		
Trading securities	**14,232**	103,167
Loans and receivables (including cash and cash equivalents)		
Refundable deposits	**100,000**	–
Trade receivables	**56,390**	19,673
Financial assets included in deposits and other receivables	**7,118**	11,508
Pledged bank deposits	**2,997**	4,599
Cash and cash equivalents	**145,879**	125,439
	326,616	264,386
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and bills payables	**68,077**	23,198
Financial liabilities included in other payables	**32,802**	60,200
Bank borrowings	**112,503**	80,331
	213,382	163,729

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**117,958**	152
Financial liabilities		
Financial liabilities measured at amortised cost	**5,875**	4,229

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise refundable deposits, trading securities, trade and other receivables, cash and cash equivalents, pledged bank deposits, trade and other payables, other payables and bank borrowings. The Company's major financial instruments include other receivables, other payables and cash and cash equivalents.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Group seeks to minimise the effects of certain interest rate and foreign currency risks by using derivative financial instruments to hedge these risk exposures. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group

The Group trades only with recognised and creditworthy third parties. The Group's sales for the Toys Segment are made to several major customers and there is concentration of credit risk. In respect of the Beverage Segment, there is no concentration of credit risk. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer having similar characteristics. The Group defines customers as having similar characteristics if they are related entities. Most of the customers are multi-national corporations with well-known brands for their toy products and have satisfactory credit rating. At the end of the reporting period, the Group had certain concentrations of credit risk as 28.4% (2013: 27.4%) and 76.2% (2013: 85.4%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, in the Toys Segment.

Transactions involving trading securities are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

At 31 December 2014, the Group had certain concentration of credit risk as 54.6% (2013: 15.0%) of the total cash and cash equivalents was deposited with one financial institution in Hong Kong with high credit rating. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including trading securities in the consolidated statement of financial position after deducting any impairment allowance.

At 31 December 2014, the Group had refundable deposits of HK$100,000,000 paid to two independent individuals in relation to the acquisition of Ankai Tianjin. The directors of the Company considers the credit risk is low as refundable deposits is not expected to be repaid but be transferred as part of the acquisition cost of Ankai Tianjin upon the completion of the acquisition.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Company

At 31 December 2014, the Company had certain concentration of credit risk as 67.3% (2013: 75.1%) of the total cash and cash equivalents was deposited with one financial institution in Hong Kong with high credit rating. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own operating cash reserve and bank borrowings. The Group maintains good business relations with its bankers and ensures compliance with covenants as stipulated in the banking facility agreements.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows:

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group

	Weighted average effective interest %	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2014						
Bank borrowings	**4.28**	**–**	**113,255**	**–**	**113,255**	**112,503**
Trade and bills payables	**–**	**29,360**	**25,757**	**12,960**	**68,077**	**68,077**
Other payables	**–**	**32,802**	**–**	**–**	**32,802**	**32,802**
		62,162	**139,012**	**12,960**	**214,134**	**213,382**

	Weighted average effective interest %	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2013						
Bank borrowings	4.01	–	65,685	15,141	80,826	80,331
Trade and bills payables	–	10,153	10,091	2,954	23,198	23,198
Other payables	–	60,200	–	–	60,200	60,200
		70,353	75,776	18,095	164,224	163,729

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Company

	Weighted average effective interest %	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2014						
Other payables	**–**	**5,875**	**–**	**–**	**5,875**	**5,875**
2013						
Other payables	–	4,229	–	–	4,229	4,229

Interest rate risk

The Group

The Group's interest rate risk arises primarily from the Group's borrowings. Borrowings raised at variable rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis point in interest rate, with all other variables held constant, would decrease/increase the Group's loss for the year and accumulated losses by approximately HK$1,441,000 (2013: HK$1,279,000).

The sensitivity analysis 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 exposure to interest rate risk for the variable financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for the year ended 31 December 2013.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group

The Group mainly operates in Hong Kong and the PRC, with certain of their business transactions being settled in United States dollars, Hong Kong dollars and Renminbi. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily United States dollars, Hong Kong dollars and Renminbi, against the functional currency of the relevant group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As Hong Kong dollars is pegged to United States dollars, the Group does not have material exchange rate risk on such currency.

Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entities within the Group into the Group's presentation currency are excluded.

	2014		2013	
	Hong Kong dollars	**Renminbi**	Hong Kong dollars	Renminbi
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Cash and cash equivalents	**2,097**	**4**	273	4
Bank borrowings	**(102,700)**	**–**	(78,701)	–
Other payables	**(493)**	**–**	(593)	–
Overall exposure to currency risk	**(101,096)**	**4**	(79,021)	4

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The Group (Continued)

Sensitivity analysis

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the Renminbi exchange rate for group entities with Renminbi as functional currency, with all other variables held constant, of the Group's loss for the year and accumulated losses.

	%	Increase (decrease) in loss for the year and accumulated losses HK$'000
2014		
If Hong Kong dollars weakens against Renminbi	**5**	**(5,055)**
If Hong Kong dollars strengthens against Renminbi	**(5)**	**5,055**
2013		
If Hong Kong dollars weakens against Renminbi	5	(3,951)
If Hong Kong dollars strengthens against Renminbi	(5)	3,951

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss for the year and accumulated losses measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for the year ended 31 December 2013.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The Company

As the Company has no significant transaction in foreign currency, the management considers the Company's exposure to currency risk is insignificant.

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities. All of these investments are listed. The Group's listed investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs.

If the price of the respective trading securities had been 10% higher/lower (2013: 10%), with all other variables held constant, loss for the year and accumulated losses would decrease/increase by approximately HK$1,423,000 (2013: HK$10,317,000). No effect on other components of equity for the years ended 31 December 2014 and 2013.

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year that would arise assuming that the changes in the price of the respective trading securities had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for the year ended 31 December 2013.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurements

Financial assets and liabilities measured at fair value

The Group

Fair value hierarchy

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 using 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.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets at fair value through profit or loss – Trading securities:				
2014	**14,232**	**–**	**–**	**14,232**
2013	103,167	–	–	103,167

During the years ended 31 December 2014 and 2013, there have been no significant transfers between Level 1 and 2 or transfers into or out of Level 3.

40. FACTORING OF FINANCIAL ASSETS

As part of its normal business, a subsidiary of the Group had entered into a trade receivable factoring arrangement and factored certain of its trade receivables to a bank. If the trade receivables would not be settled at maturity, the bank had the right to request the Group to pay the unsettled balance. As the Group had not transferred the significant risks and rewards to the bank relating to these trade receivables, it continued to recognise the full carrying amount of these receivables and had recognised the cash received from the factoring arrangement as a secured borrowing (see note 28).

At the end of the reporting period, the carrying amount of the trade receivables that had been factored but had not been derecognised amounted to HK$5,568,000 (2013: HK$1,917,000) and the carrying amount of the associated liability (i.e. bank borrowings) was HK$4,733,000 (2013: HK$1,630,000).

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Continuing operations					
Revenue	**422,953**	330,158	443,670	394,744	377,998
Cost of sales	**(412,261)**	(286,209)	(408,836)	(378,359)	(337,490)
Gross profit	**10,692**	43,949	34,834	16,385	40,508
Other income and gain	**7,629**	12,093	4,935	8,548	8,828
Selling and distribution costs	**(13,045)**	(5,932)	(7,115)	(7,525)	(7,193)
Administrative expenses	**(87,280)**	(51,079)	(56,907)	(53,284)	(49,879)
Changes in fair value of trading securities	**(17,553)**	(29,320)	2,601	(28,604)	–
Other operating expenses	**(11,323)**	(524)	(457)	(285)	(9,342)
Finance costs	**(5,643)**	(4,579)	(5,822)	(4,615)	(3,851)
Loss before taxation from continuing operations	**(116,523)**	(35,392)	(27,931)	(69,380)	(20,929)
Income tax expense	**(1,873)**	(1,128)	(2,175)	(5,657)	(2,037)
Loss for the year from continuing operations	**(118,396)**	(36,520)	(30,106)	(75,037)	(22,966)
Discontinued operation					
Loss for the year from discontinued operation	**(3,622)**	(10,303)	(33,994)	(310,472)	(150,752)
Loss for the year	**(122,018)**	(46,823)	(64,100)	(385,509)	(173,718)

ASSETS AND LIABILITIES	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**533,167**	523,107	581,159	684,164	901,302
Total liabilities	**(227,358)**	(185,207)	(215,111)	(252,296)	(268,321)
Total equity	**305,809**	337,900	366,048	431,868	632,981