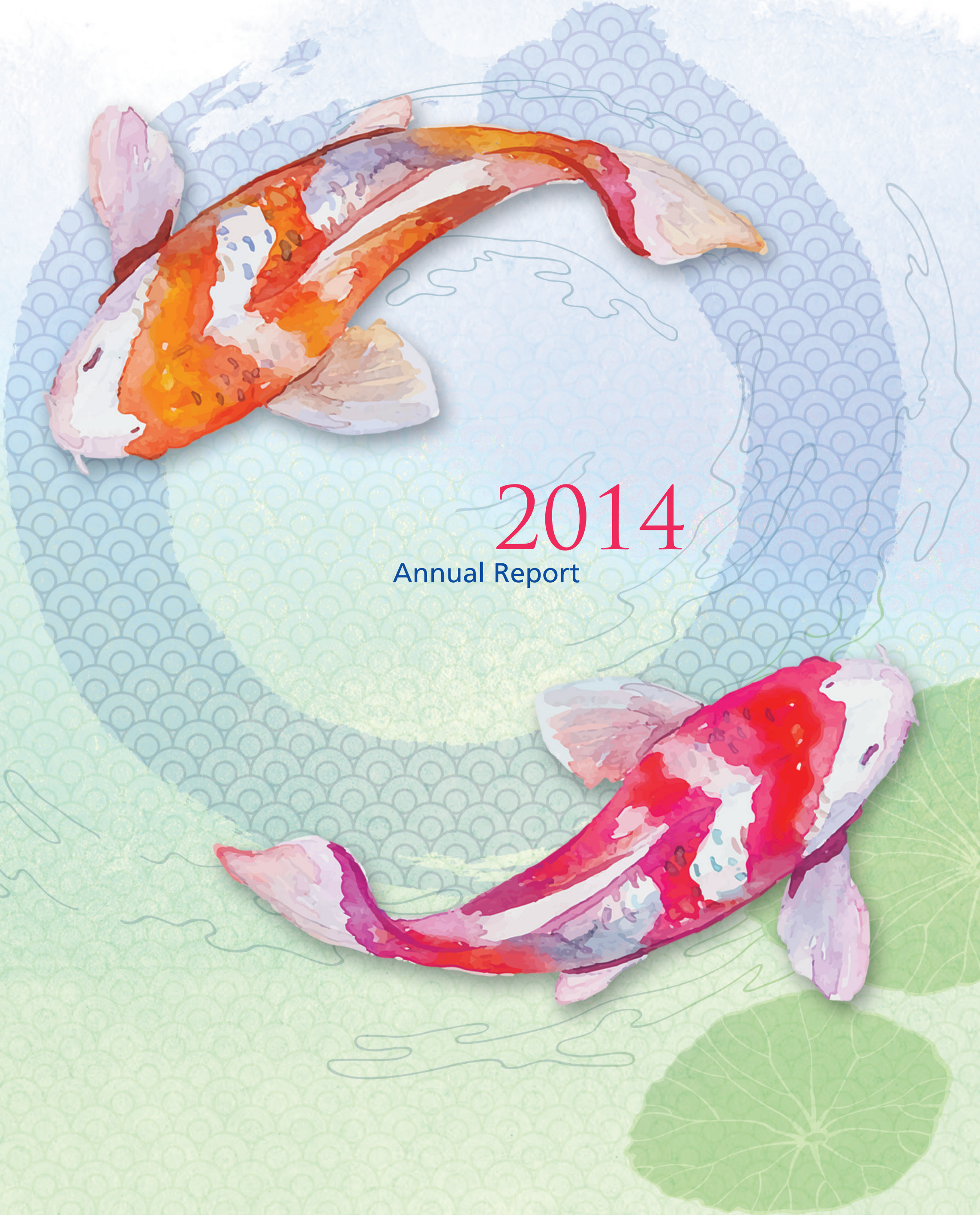
China Renji Medical Group Ltd.
中國仁濟醫療集團有限公司

Stock Code: 648



2014
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

CHAN Ka Chung *(Chairman)*
WANG Jianguo
CHEUNG Wai Kwan *(appointed on 4 September 2014)*
HUI Ka Chun *(appointed on 4 September 2014 and resigned on 16 April 2015)*

Independent Non-executive Directors:

CHAN Yee Ping, Michael *(appointed on 15 July 2014)*
HU Xuezhen *(appointed on 8 April 2014)*
WU Yan
LAM Chun Ho *(appointed on 24 October 2014)*
KWOK Chun On *(resigned on 8 April 2014)*
WU Chi Keung *(resigned on 15 July 2014)*

AUDIT COMMITTEE

CHAN Yee Ping, Michael *(Chairman)* *(appointed on 15 July 2014)*
HU Xuezhen *(appointed on 8 April 2014)*
LAM Chun Ho *(appointed on 24 October 2014)*
WU Yan
KWOK Chun On *(resigned on 8 April 2014)*
WU Chi Keung *(resigned on 15 July 2014)*

REMUNERATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)* *(appointed on 15 July 2014)*
CHAN Ka Chung
LAM Chun Ho *(appointed on 24 October 2014)*
HU Xuezhen *(appointed on 8 April 2014)*
KWOK Chun On *(resigned on 8 April 2014)*
WU Chi Keung *(resigned on 15 July 2014)*

NOMINATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)* *(appointed on 15 July 2014)*
CHAN Ka Chung
HU Xuezhen *(appointed on 8 April 2014)*
LAM Chun Ho *(appointed on 24 October 2014)*
KWOK Chun On *(resigned on 8 April 2014)*
WU Chi Keung *(resigned on 15 July 2014)*

CORPORATE GOVERNANCE COMMITTEE

CHAN Yee Ping, Michael *(Chairman)* *(appointed on 15 July 2014)*
CHAN Ka Chung
HU Xuezhen *(appointed on 8 April 2014)*
WANG Jianguo
WU Yan
CHEUNG Wai Kwan *(appointed on 4 September 2014)*
LAM Chun Ho *(appointed on 24 October 2014)*
HUI Ka Chun *(appointed on 4 September 2014 and resigned on 16 April 2015)*
KWOK Chun On *(resigned on 8 April 2014)*
WU Chi Keung *(resigned on 15 July 2014)*

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of Communications Co., Ltd
Hong Kong Branch
Hang Seng Bank Limited
Wuhu Yangzi Rural Commercial Bank
Company Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRARS

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

REGISTERED OFFICE

36th Floor, Times Tower
391–407 Jaffe Road
Wanchai
Hong Kong

WEBSITE

www.chinarenji.com

STOCK CODE

648

CHAIRMAN'S STATEMENT

Dear Shareholders and Partners,

The year of 2014 is a year full of challenges for China Renji Medical Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"). During the year, the operating environment of the Group's medical network business has remained difficult with the Group's turnover having been declined to HK$85.4 million, representing a decrease of 23% when compared with previous year.

Despite the above, the year of 2014 is also a year of development for the Group. On one hand, loss for the year of the Group was narrowed to HK$41.8 million for the year ended 31 December 2014 from HK$116.5 million for the year ended 31 December 2013. On the other hand, the Group has been looking for opportunities to reduce reliance on its medical network business through continuing to dispose of equity stakes in such business segment and conducting a number of acquisitions during 2014 with a view to establishing a solid business foundation towards its long term business goal of becoming an integrated healthcare and well-being group. During the year, the Group entered into various agreements which enable the Group to obtain majority stakes in the Megafit Group and Hong Kong Optical and to become the largest single shareholder of Rui Kang (as defined and detailed in the section headed "Management Discussion and Analysis"). Megafit Group is principally engaged in the management and operation of one of the largest chains of sports and fitness centres in the People's Republic of China (the "**PRC**") in terms of floor area under the established brand name of "Megafit". Hong Kong Optical is a well-known retail chain of optical products and eye-care services in Hong Kong with a long operating history under the well-known brand name of "Hong Kong Optical". Rui Kang is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and principally engaged in the manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong. The Group's acquisition of the Megafit Group is expected to be completed in the second quarter of 2015.

The Group's investment in these projects has marked the milestones for future development. Looking forwards, the management of the Company will continue to look for business opportunities in its main business segments and take effort to optimize the synergy of its healthcare related investments with a view to maximizing return to its stakeholders.

I, on behalf of the board of directors of the Company, would like to take this opportunity to thank our shareholders for your support and loyalty and express my sincere gratitude to our partners, management and staff for your effort and contribution.

Chan Ka Chung
Chairman

Hong Kong, 24 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged and invests in (i) healthcare and well-being business (including the investment in and operation of a network of medical centres specialising in the diagnosis and treatment of tumours and related diseases in the PRC, a retail chain of optical and eye-care products and services under the brand name "Hong Kong Optical" in Hong Kong and one of the largest chains of fitness and sports clubs in the PRC in terms of floor area under the brand name of "MEGAFIT"), and (ii) investment and asset management business (including investment in securities, fixed/capital assets and distressed assets). The acquisition of the Megafit Group (as defined below) is expected to be completed in the second quarter of 2015.

REVIEW OF THE FINAL RESULTS

Turnover

For the year ended 31 December 2014, all of the Group's turnover were derived from its healthcare and well-being business and amounted to HK$85.4 million (2013: HK$111.0 million) which comprised of income of HK$83.0 million from its medical network business (the leasing of medical equipment and provision of consultancy services) and HK$2.4 million from the sale of optical products and provision of eye-care services. When compared with the year ended 31 December 2013, the Group's turnover for the year ended 31 December 2014 declined by 23.1% due to the cessation of business operations of certain medical centres of the Group resulted from receipt of termination notices in 2013 regarding the existing cooperation arrangements as well as the disposal of the Group's interest in certain radiosurgery equipment during the year. The Group's optical and eyecare business started to contribute to the Group's revenue following completion of the acquisition of the optical business in November 2014.

Gross profit

For the year ended 31 December 2014, the Group recorded gross profit of HK$67.1 million (2013: HK$74.6 million) at a gross profit margin of 78.6% (2013: 67.3%) from its healthcare and well-being business. The increase in gross profit was mainly attributable to the decrease in depreciation and amortisation expenses of the relevant medical assets (including plant and equipment and intangible assets) resulted from the impairment provisions made during the year ended 31 December 2013.

Loss for the year

The Group's loss for the year narrowed substantially from HK$116.5 million for the year ended 31 December 2013 to HK$41.8 million. The loss was mainly attributable to the decrease in turnover resulting from the cessation of business operations of certain medical centres, the one-off loss on disposal of associates and the increase in administrative expenses resulting from, among other things, the commission expenses paid to the underwriter and the placing agent for the fund raising activities carried out by the Group during the year and the increase in employee related expenses due to the granting of share options under Company's share option scheme. As a result, the loss attributable to owners of the Company for the year ended 31 December 2014 amounted to HK$61.1 million (2013: HK$122.7 million).

Basic and diluted loss per share for the year was approximately HK7.00 cents (2013: HK15.51 cents).

BUSINESS REVIEW

During the year ended 31 December 2014, the Group's income was mainly derived from the leasing of medical equipment and provision of consultancy services under its network of medical centres. The medical centres of the Group are established with hospital and/or business partners of the Group through arrangements that (i) the Group's hospital partners provide premises for the underlying medical centres; (ii) the Group provides medical equipment to these medical centres through longterm leasing arrangement; and (iii) the Group and/or its business partners provide management services to these medical centres. However, as reiterated in the Company's previous annual reports for the years ended 31 December 2012 and 2013, such business model of the Group is subject to challenges if the relevant health departments/authorities have different interpretations on the compliance with the relevant rules and regulations in respect of the Group's above-mentioned business arrangement with the hospital/business partners.

The operating environment of the Group's medical network business had been and remained difficult and challenging for the year ended 31 December 2014. During 2013, the National Health and Family Commission of the PRC launched a program (the "**Program**") for strengthening the management of the PRC's hospitals and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments. Given that the Group's leasing of medical equipment and provision of management services are made to the Group's medical centres located in the premises of the hospitals, it has appeared that following the promulgation of the Program, there has been an increasing trend that different local administrative departments/authorities hold different views on the substance of the above-mentioned leasing and management arrangements and interpret such arrangements as "renting/contracting out" of medical departments by hospitals. The promulgation of the Program had attributed to the Group's receipt of notices of termination regarding the existing cooperation arrangements in respect of certain medical centres of the Group in 2013. Under the Program, there had been internal reporting exercises conducted by the hospitals in the PRC in 2013 and 2014 to internally review and report their non-compliance operations (if any) to their supervising authorities. Moreover, since the beginning of 2015, there have been national-wide internal audit measures for the hospitals in the PRC conducted by the relevant government authorities under both the Program and the central government's anti-corruption efforts for purpose of auditing and recording non-compliance operations of the hospitals (if any). The increased risk of the Group's business model being interpreted as not in compliance with the relevant rules and regulations of the PRC has continued to dampen the working relationship with the Group's hospital/business partners, especially following commencement of the above-mentioned nation-wide internal audit exercises in 2015. On one hand, this difficult legal and operating environment faced by the Group keeps casting uncertainty on the business performance of the medical centres of the Group; on the other hand, the Group is obliged to continue to maintain, upgrade and make new investments in the medical equipment as required by the hospital partners. In view of the above, the management of the Group has, during the year, looked for opportunities to reduce its business risk in association with the medical network business and its reliance on such business segment through disposal of 20% equity interest in its medical network business and disposal of the Group's interest in certain radiosurgery systems. It is anticipated that the Group will continue to take actions to reduce its business risk and reliance on the medical network business.

As an effort to rebalance its healthcare and well-being business portfolio, the management of the Group has proactively taken steps to establish a solid business foundation towards its long term business goal of becoming an integrated healthcare and well-being services provider. In August 2014, the Group, through a non-wholly owned subsidiary (the "**Fitness JV**"), entered into a sale and purchase agreement for the acquisition (the "**Megafit Acquisition**") of a 55% equity interest of a group (the "**Megafit Group**") engaged in the management and operation of one of the largest chains of sports and fitness centres in the PRC in terms of floor area under the brand name of "MEGAFIT". It is anticipated that following completion of the Megafit Acquisition, the revenue of the Group will be significantly increased. The total investment under the Megafit Acquisition amounts to HK$35 million and the completion of which is expected to take place in the second quarter of 2015.

In November 2014, the Company entered into a subscription agreement with Rui Kang Pharmaceutical Group Investments Limited ("**Rui Kang**", or together with its subsidiary, the "**Rui Kang Group**") to subscribe for 257,812,500 new shares of Rui Kang (the "**Rui Kang Subscription**") for a consideration of HK$33 million. Rui Kang, a company listed on the Growth Enterprise Market of the Stock Exchange, is principally engaged in, among other things, the manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong. The Rui Kang Subscription, which was completed in January 2015, set ground for strategic cooperation between the Group and the Rui Kang Group. The Company is currently the single largest shareholder of Rui Kang.

In February 2015, the Rui Kang Group entered into a subscription agreement with the Group to subscribe (the "**Rui Kang JV Subscription**") for new shares of a special purpose vehicle (the "**Rui Kang JV**") for a consideration of HK$4.83 million such that the Group and the Rui Kang Group will be interested in 77% and 23% equity interest in the Rui Kang JV, respectively, and the Rui Kang JV will in turn eventually hold 60% equity interest of the Fitness JV. It is anticipated that the Rui Kang JV Subscription will allow the Megafit Group to leverage on the Rui Kang Group's expertise to complement its services and product offering.

In November 2014, the Group extended its business further to eyecare products and services and entered into a share subscription agreement with Hong Kong Optical Company Limited ("**Hong Kong Optical**"), a company engaged in the operation and management of a well-known retail chain of optical products and eye-care services under the brand name of "Hong Kong Optical" in Hong Kong, to subscribe for new shares (representing 52% equity interest) of Hong Kong Optical for a consideration of HK$2.54 million. The transaction was completed in November 2014. In addition, as part of the Group's investment and asset management business, the Group also entered into a sale and purchase agreement in November 2014 with Mr. Chan Ka Chung ("**Mr. Chan**") for the acquisition of a company engaged in properties and securities investments, for a consideration of HK$2.4 million.

In December 2014, the Group further extended its healthcare and well-being business and entered into a sale and purchase agreement in respect of the acquisition of an effective interest of 12.5% in a development project comprising serviced apartments, tourist facilities, elderly care and rehabilitation facilities in Fujian Province, the PRC, at a consideration of RMB75 million.

As part of its effort to realign its financial resources and management focus, the Group entered into a sale and purchase agreement during 2014 to dispose of its entire equity interest in an associate engaged in the design, manufacture and sale of household products.

EVENTS AFTER THE REPORTING PERIOD

Completion of tranche two convertible bonds

The Company and a placing agent entered into a placing agreement in October 2014 for the placing of two tranches of convertible bonds (the "**Convertible Bonds**") in the aggregate principal amount of HK$86.6 million bearing an interest rate of 8% and maturing in one year. The net proceeds from the issue of the Convertible Bonds amounted to HK$83.7 million (representing a net price of HK$0.31 per conversion share) and is intended to be applied for financing future investments, general working capital and debt reduction of the Group. The placing of the first tranche of convertible bonds in the principal amount of HK$43.3 million was completed in October 2014 and the placing of the second tranche of the convertible bonds in the principal amount of HK$43.3 million was completed in January 2015.

Completion of the Rui Kang Subscription

The Rui Kang Subscription was completed in January 2015.

The Rui Kang JV Subscription

As mentioned above, in February 2015, the Rui Kang Group entered into a subscription agreement with the Group in respect of the Rui Kang JV Subscription.

PROSPECTS

Looking forward, the Group will continue to formulate strategies (i) to strengthen its financial condition and support the Group's business development by seizing debt/equity fund raising opportunities when they are available to the Group; (ii) to enhance its competitiveness by investing in potential opportunities in the healthcare and well-being as well as other sectors; and (iii) to maximise return to shareholders by continuing invest in securities, fixed/capital assets and distressed assets.

FINANCIAL REVIEW

Liquidity and financial resources

During the year ended 31 December 2014, the Group's major financial resources were derived from borrowings, proceeds from the issue of new shares and convertible securities of the Company. For the year ended 31 December 2014, the net cash generated from operating activities amounted to HK$4.6 million (2013: HK$64.0 million). The operating cash flow was derived primarily from cash proceeds received from the Group's healthcare and well-being business.

For the year ended 31 December 2014, the net cash used in investing activities amounted to HK$98.2 million (2013: HK$97.9 million) and the net cash generated from financing activities amounted to HK$189.8 million (2013: HK$ Nil). The net cash outflow used in investing activities mainly comprised the amounts paid for the unlisted investments in certain projects which were classified as available-for-sale financial assets in the Group's statement of financial position.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2014 a net cash inflow of HK$96.2 million (2013: outflow of HK$34.0 million).

As at 31 December 2014, the Group maintained bank balances and cash of HK$178.1 million (2013: HK$83.8 million).

As at 31 December 2014, the Group's total borrowings amounted to HK$253.6 million (2013: HK$78.6 million) which included borrowings of HK$178.5 million (2013: HK$77.6 million), convertible securities of HK$45.2 million (2013: HK$Nil), bond/note payable of HK$29.9 million (2013: HK$1 million). Borrowings of HK$152.9 million were repayable within one year (2013: HK$78.6 million). The borrowings are denominated in Hong Kong dollars and Japanese Yen. The Group expects that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity.

As at 31 December 2014, the Group's net asset value was HK$587.2 million (2013: HK$498.3 million) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 2.06 times (2013: 2.05 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings to the total equity attributable to the owners of the Company) was 56.1% (2013: 19.2%).

Capital structure

For the year ended 31 December 2014, the Group generally financed its operations with internally generated resources, proceeds raised from the issue of new shares and convertible securities of the Company and borrowings. As at 31 December 2014, the total number of issued shares of the Company had been increased to 1,117,133,439 shares.

Issue of convertible notes

In April 2014, the Company entered into the subscription agreements with subscribers in respect of the issue of convertible notes with an aggregate principal amount of HK$10 million bearing an interest rate of 5% and maturing in 2017 for general working capital purpose. Holders of the convertible notes are entitled to convert the outstanding convertible notes into new shares of the Company at the conversion price of HK$0.66 (as adjusted by the share consolidation of the Company which became effective in 2014 and the Rights Issue (as defined below)).

Issue of new shares pursuant to the exercise of warrants

As disclosed in the Company's circular dated 24 December 2013, the Company entered into the warrant subscription agreements with Mr. Chan, an executive director of the Company, for the subscription of two tranches of unlisted warrants of 67,500,000 each (as adjusted by the share consolidation of the Company which became effective in 2014). During 2014, Mr. Chan exercised the subscription rights attached to the first tranche of the warrants to subscribe for 67,500,000 new shares of the Company at the subscription price of HK$0.44 each (as adjusted by the share consolidation of the Company which became effective in 2014).

Rights issue

In August 2014, the Company announced to conduct a rights issue on the basis of one rights share for every two existing shares in issue held on the record date at the subscription price of HK$0.27 per rights share (the "**Rights Issue**"). The Rights Issue was completed in October 2014 and a total of 372,377,813 rights shares were allotted and issued and the net proceed after deduction of expenses from the Rights Issue was HK$96 million (representing a net subscription price of HK$0.26 per rights share). The proceeds from the Rights Issue will be applied for future investments and general working capital for the Group.

Issue of the Convertible Bonds

Please refer to the sub-paragraph "Completion of tranche two convertible bonds" under the paragraph headed "Events after the reporting period" above.

The Placing of new shares

In March 2015, the Company entered into a placing agreement for the placing (the "**Placing**") of 223,426,687 new shares of the Company at the placing price of HK$0.19 per new shares of the Company. The net proceeds from the Placing amounted to HK$41 million (representing a net price of 0.18 per placing share) and will be applied for the financing of the Group's investment opportunities, general working capital and reduction of debt. The Placing was completed in April 2015.

Amendment of the terms and conditions of the Convertible Bonds

In April 2015, the Company entered into deeds of amendment with the holders of the Convertible Bonds and have agreed that upon obtaining the relevant approvals, the holders of the Convertible Bonds are deemed to have fully exercised the conversion rights attached to the Convertible Bonds at the adjusted conversion price of HK$0.183 per conversion share.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars and the assets are mostly denominated in Renminbi and Hong Kong dollars, whilst liabilities held are mainly denominated in Hong Kong dollar and Japanese Yen. Therefore, the trend of Renminbi appreciation may continue to lower the costs for repayment of the Group's debts. The appreciation of Hong Kong dollar against Japanese Yen has also had favourable impact on the Group's borrowings denominated in Japanese Yen in the past few years. However, the Group will continue to monitor the situation and may consider to reduce its debt exposure to Japanese Yen as and when appropriate. In addition, although the Group currently does not have a foreign currency hedging policy, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

Charge on assets

As at 31 December 2014, an investment property with carrying value of HK$44.9 million (2013: HK$Nil) of the Group was pledged to a financial institution to secure borrowings of HK$32.0 million (2013: HK$Nil) of the Group.

CONTINGENCIES

No provision in respect of contingencies would need to be made in the consolidated financial statements of the Group for the year ended 31 December 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the total number of employees of the Group was approximately 120. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Chan Ka Chung
(Chairman and Executive Director)

Mr. Chan, aged 44, has extensive international business network and in-depth professional experience and knowledge in management and finance, particularly corporate finance involving initial public offerings, capital raising, mergers and acquisitions, corporate restructuring and investment. He was also awarded the "Outstanding Entrepreneur of Guangdong Province" by the Guangdong Provincial Executive Association of Entrepreneurs. Mr. Chan holds a bachelor's degree in commerce from the University of British Columbia in Canada and a master's degree in business administration and a post graduate's diploma in marketing from Edinburgh Business School in the United Kingdom. Mr. Chan joined the Company in 2012 and was appointed as an executive Director in 2013. In September 2014, Mr. Chan was elected to be the chairman of the board of Directors.

Mr. Cheung Wai Kwan
(Executive Director)

Mr. Cheung, aged 52, has over 20 years of management experience in manufacturing and distribution of resources, healthcare and related products and has maintained an extensive business network in Asia, particularly Japan and the PRC. Mr. Cheung holds a master's degree in business administration and a bachelor's degree in business management from Asia University, Japan. Mr. Cheung was appointed as an executive Director in September 2014.

Mr. Wang Jianguo
(Executive Director)

Mr. Wang, aged 51, is a qualified lawyer in China and, prior to joining the Group, was a practising lawyer at a law firm in the PRC, where his legal practice had been mainly in the medical sector in the PRC. Mr. Wang was awarded an Advanced Lawyer in Anhui Province. Mr. Wang holds an executive master's degree in business administration from Nanjing University, the PRC. He was appointed as an executive Director in 2011.

Dr. Hui Ka Chun
(Executive Director)

Dr. Hui, aged 52, a highly experienced executive with over 20 years of working experience in environmental services and clean energy industry, manufacturing industry and hi-tech industry in Hong Kong and the PRC, including 13 years at senior executive management level in a number of renowned multinational companies (such as Swire Group and ABB Group). Dr. Hui holds a master's degree in business administration and a doctorate's degree in electrical engineering from the University of London, the United Kingdom. Dr. Hui was appointed as an executive Director in September 2014 and resigned with effect in April 2015.

Mr. Chan Yee Ping, Michael
(Independent Non-executive Director)

Mr. Chan, aged 37, has over 10 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He is a member with practicing certificate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is also the company secretary of (i) China Sunshine Paper Holdings Company Limited (stock code: 2002), a company listed on the Stock Exchange and (ii) Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company whose shares are listed on both the Shenzhen Stock Exchange of the PRC and the Stock Exchange, and the independent non-executive director of China Sandi Holdings Limited (stock code: 910). Mr. Chan was also an independent non-executive director of Yueshou Environmental Holdings Limited (stock code: 1191) , a company listed on the Stock Exchange, during October 2013 to July 2014. Mr. Chan holds a bachelor's degree in business administration from the Hong Kong Polytechnic University. Mr. Chan was appointed as an independent non-executive Director in July 2014.

Mr. Lam Chun Ho
(Independent Non-executive Director)

Mr. Lam, aged 33, has years of experience in auditing, financial reporting and financial engineering and is currently the senior management of a local corporate service's company. Mr. Lam is an associate member of the Hong Kong Institute of Certificate Public Accountants. He is also an independent non-executive director of China New Economy Fund Limited (stock code: 80), a company listed on the Stock Exchange. Mr. Lam holds a bachelor's degree in business administration (Accounting) from Hong Kong Baptist University.

Ms. Hu Xuezhen
(Independent Non-executive Director)

Ms. Hu, age 48, is the chairman and founder of companies engaged in education and manufacturing of household and consumer products in the PRC. Prior to founding her own companies, she used to work in a state-owned company and a government department in the PRC. Ms. Hu has extensive experience in administration management, corporate management and business development. Ms. Hu was appointed as an independent non-executive Director in April 2014.

Ms. Wu Yan
(Independent Non-executive Director)

Ms. Wu, aged 49, has over 20 years of experience in accounting and financing and is currently the management of a major bank in the PRC. Ms. Wu also used to serve the managerial level of a number of large PRC companies. Ms. Wu holds a bachelor's degree in accounting from Stamford College, Malaysia and a master's degree in business administration from The University of Greenwich, the United Kingdom.

REPORT OF THE DIRECTORS

The Directors submit this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 53 to the consolidated financial statements.

An analysis of the Group's turnover and segmental information is set out in notes 7 and 8 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 33 to 34.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 39 and in note 44 to the consolidated financial statements, respectively. As at 31 December 2014, the Company had no reserves available for distribution under Companies Ordinance of Hong Kong (2013: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT, INVESTMENT PROPERTIES, OTHER INTANGIBLE ASSETS AND LONG-TERM PREPAYMENT AND DEPOSITS

Details of the movements in property, plant and equipment, land use right, investment properties, other intangible assets and long-term prepayments and deposits of the Group and of the Company (where applicable) are set out in notes 18, 19, 20, 22 and 28 to the consolidated financial statements, respectively.

BORROWINGS

Particulars of the Group's and the Company's borrowings as at 31 December 2014 are set out in note 37 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 43 to the consolidated financial statements.

GUARANTEED CONVERTIBLE NOTE

The Group did not have any outstanding balance of the guaranteed convertible note as at 31 December 2014 and details of guaranteed convertible note issued by a subsidiary of the Company as at 31 December 2013 are set out in note 38 to the consolidated financial statements.

DONATION

During 2014, the Group made charitable donation amounting to HK$86,000 (2013: HK$Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is shown on page 160.

DIRECTORS

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

Executive Directors:	
CHAN Ka Chung *(Chairman)*	
WANG Jianguo	
HUI Ka Chun	(appointed on 4 September 2014 and resigned with effect on 16 April 2015)
CHEUNG Wai Kwan	(appointed on 4 September 2014)
TANG Chi Chiu	(resigned on 4 September 2014)
Independent non-executive Directors:	
WU Yan	
HU Xuezhen	(appointed on 8 April 2014)
CHAN Yee Ping, Michael	(appointed on 15 July 2014)
LAM Chun Ho	(appointed on 24 October 2014)
KWOK Chung On	(resigned on 8 April 2014)
WU Chi Keung	(resigned on 15 July 2014)

In accordance with the articles of association of the Company, (i) Mr. Cheung Wai Kwan and Dr. Hui Ka Chun, who were appointed as an executive Directors in 2014, shall retire at the forthcoming annual general meeting; and (ii) Mr. Chan Yee Ping, Michael and Mr. Lam Chun Ho, who were appointed as the independent non-executive Directors in July and October 2014, respectively, shall retire at the forthcoming annual general meeting. Since, Dr. Hui Ka Chun resigned as an executive Director in April 2015, only Mr. Cheung Wai Kawn, Mr. Chan Yee Ping, Michael and Mr. Lam Chun Ho are eligible and offer themselves for re-election at the forthcoming annual general meeting of the Company.

All Directors (including independent non-executive Directors) are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's articles of association.

The Company has received independence confirmation from all independent non-executive Directors and considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 10 and 11.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

Mr. Chan Yee Ping, Michael
(Independent Non-executive Director)

Mr. Chan, aged 37, has over 10 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He is a member with practicing certificate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is also the company secretary of (i) China Sunshine Paper Holdings Company Limited (stock code: 2002), a company listed on the Stock Exchange and (ii) Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company whose shares are listed on both the Shenzhen Stock Exchange of the PRC and the Stock Exchange, and the independent non-executive director of China Sandi Holdings Limited (stock code: 910). During October 2013 to July 2014, Mr. Chan was also an independent non-executive director of Yueshou Environmental Holdings Limited (stock code: 1191), a company listed on the Stock Exchange. Mr. Chan holds a bachelor's degree in business administration from the Hong Kong Polytechnic University.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments in the year ended 31 December 2014 are shown in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SERVICE CONTRACT

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN SHARES AND OPTIONS

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) The Company

Interests in shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held (long position)	Approximate percentage of the issued share capital
Chan Ka Chung	corporate interest	182,722,540 *(Note 1, 3)*	16.36% *(Note 2, 3)*

Note:

1: *In addition to 101,250,000 shares of the Company held by Mr. Chan as at 31 December 2014, Mr. Chan is also deemed to be interested in the additional 81,472,540 underlying shares of the Company that can be issued and allotted upon the exercise of the subscription rights attached to the unlisted warrants issued by the Company whereby Mr. Chan is the subscriber.*

2: *based on 1,117,133,439 shares of the Company in issue as at 31 December 2014.*

3. *Following the completion of the Company's placing of new shares in April 2015, the Company's total number of issued shares was increased to 1,340,560,126 Shares and the subscription price of the above-mentioned unlisted warrants had been adjusted to the effect that a total of 83,903,045 shares of the Company can be allotted upon the full exercise of the subscription rights attached to the unlisted warrants. Based on the above, Mr. Chan is interested in 13.81% in the issued share capital of the Company.*

Interests in debenture of the Company

Name of Director	Capacity	Principal Amount of Promissory Note
Chan Ka Chung	corporate interest	HK$10,240,000

Interests in share options of the Company

Grantee	Date of grant	Exercise period	Exercise price per share (HK$)	At January 2014	Granted during the year	Exercise during the year	Lapsed during the year	As at 31 December 2014
Executive Director								
Mr. Cheung Wai Kwan	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	6,095,301	—	—	6,095,301
Independent Non-executive Directors								
Mr. Chan Yee Ping, Michael	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	677,255	—	—	677,255
Mr. Lam Chun Ho	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	677,255	—	—	677,255
Ms. Hu Xuezhen	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	677,255	—	—	677,255
Former Director								
Dr. Hui Ka Chun *(Note 1)*	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	6,772,556	—	—	6,772,556
Consultant								
Mr. Wu Chi Keung *(Note 2)*	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	4,402,162	—	—	4,402,162
				—	19,301,784	—	—	19,301,784

Note:

1: *Dr. Hui Ka Chun resigned as an executive Director effective from 16 April 2015.*

2: *Mr. Wu Chi Keung resigned as independent non-executive Director in 2014 and has been engaged as a consultant of the Company. His interest in share options to subscribe for 4,402,162 shares of the Company were classified under the category of consultant.*

Save as disclosed above, as at 31 December 2014, no other Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting held on 30 October 2001, the Company adopted a share option scheme (the "**2001 Share Option Scheme**") under which the Board may, at its discretion, offer to any participant, options to subscribe for ordinary shares in the Company in accordance with the terms and conditions of the 2001 Share Option Scheme. The 2001 Share Option Scheme was expired on 30 October 2011.

On 12 June 2014, at the annual general meeting of the Company, the Company adopted a new share option scheme (the "**2014 Share Option Scheme**") under which the Board may, offer to eligible participant, options to subscribe for ordinary shares of the Company in accordance with the terms and conditions of the 2014 Share Option Scheme. On 9 October 2014, the Company granted a total of 67,725,562 options to eligible participants.

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES

2001 Share Option Scheme

Details of the movements in share options granted under the 2001 Share Option Scheme during the year and as at 31 December 2014 were as follows:

				Number of share options					
Grantee	Date of grant	Exercisable period	Adjusted exercise price per share *(HK$)* *(Note 1)*	At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year *(Note 1)*	At 31 December 2014
Former employees	26-04-2007	26-04-2007 to 25-04-2017	3.42	1,000,000	—	—	—	(941,605)	58,395
	07-03-2008	07-03-2008 to 06-03-2018	2.23	139,332,000	—	—	—	(131,195,708)	8,136,292
				140,332,000	—	—	—	(132,137,313)	8,194,687
Consultants/advisors	24-05-2004	24-05-2004 to 23-05-2014	0.10	42,632,000	—	—	(42,632,000)	—	—
	10-04-2006	10-04-2006 to 09-04-2016	1.71	98,914,000	—	—	—	(93,137,917)	5,776,083
	26-04-2007	26-04-2007 to 25-04-2017	3.42	50,300,000	—	—	—	(47,362,732)	2,937,268
	06-11-2007	06-11-2007 to 05-11-2017	3.46	100,000,000	—	—	—	(94,160,500)	5,839,500
	07-03-2008	07-03-2008 to 06-03-2018	2.23	126,906,000	—	—	—	(119,495,324)	7,410,676
				418,752,000	—	—	(42,632,000)	(354,156,473)	21,963,527
			total:	559,084,000	—	—	(42,632,000)	(486,293,786)	30,158,214

Notes:

1: *The exercise prices were adjusted pursuant to the share consolidation for 20 shares into 1 consolidated share of the Company (details were contained in the circular of the Company dated 13 May 2014) and the rights issue in 2014 (details were contained in the announcement of the Company dated 9 October 2014).*

2: *Vesting details under the 2001 Share Option Scheme are as follows:*

(i) Options granted to employees pursuant to 2001 Share Option Scheme are vested as follows:

Date of grant	Date of vesting	No. of share options vested
26-04-2007	26-04-2007	14,599
	26-04-2008	14,599
	26-04-2009	29,197
07-03-2008	07-03-2009	4,068,146
	07-03-2010	4,068,146

(ii) Options granted to consultants/advisors pursuant to 2001 Share Option Scheme are vested as follows:

Date of grant	Date of vesting	No. of share options vested
10-04-2006	10-04-2006	4,903,983
	10-04-2007	280,967
	10-04-2008	591,133
26-04-2007	26-04-2007	2,858,435
	26-04-2008	26,278
	26-04-2009	52,555
06-11-2007	01-01-2008	2,919,750
	01-07-2009	2,919,750
07-03-2008	07-03-2010	3,705,338
	07-03-2011	3,705,338

2014 Share Option Scheme

Details of the movements in share options granted under the 2014 Share Option Scheme during the year and as at 31 December 2014 were as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK$)	Number of share options At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2014
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	14,899,622	—	—	14,899,622
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	18,624,529	—	—	18,624,529
Former Director/ Consultants	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	34,201,411	—	—	34,201,411
				—	67,725,562	—	—	67,725,562

Notes:

1. *Included a total of 6,772,556 share options granted to Dr. Hui Ka Chun who resigned as an executive Director effective on 16 April 2015.*

2. *Vesting details under the 2014 Share Option Scheme are as follows:*

   (i) Options granted to Directors of the Company:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	14,899,622

   (ii) Options granted to employees:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	22,010,807

   (iii) Options granted to consultants/advisors:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	30,815,133

SUBSTANTIAL SHAREHOLDER

As at 31 December 2014, the following persons (other than a director or chief executive of the Company) had an interest in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, being 5% or more of the issued shares of the Company:

Name of substantial shareholder	Capacity	Number of shares held	Percentage of issued shares (approximate)
Convoy (BVI) Limited ("Convoy")	corporate interest	135,451,125 *(Note 1, 3)*	12.1% *(Note 2, 3)*

Notes:

1. *Convoy is the controlling shareholder of the subscriber of the tranche one Convertible Bond issued by the Company which is convertible into 135,451,125 shares of the Company (as detailed in the announcement of the Company dated 31 October 2014). However, no new shares of the Company have been issued under the said tranche one Convertible Bonds as at 31 December 2014 and the date of this report.*

2. *based on 1,117,133,439 shares of the Company as at 31 December 2014.*

3. *In January 2015, the Company issued the tranche two Convertible Bonds in the principal amount of HK$43,344,360 to subscribers with Convoy also being the controlling shareholder of these subscribers. In April 2015, the Company completed a placing of new Shares such that the number of issued shares of the Company was increased to 1,340,560,126 Shares. In addition, in April 2015, the Company also entered into deeds of amendment with the holders of the Convertible Bonds to amend the conversion price of the Convertible Bonds which will result in the issue of a total of 473,708,851 new shares of the Company if the conversion rights attached thereto are fully exercised. Based on the above, Convoy is interested in 35.3% of the issued Shares of the Company.*

Save as disclosed above, as at 31 December 2014, no person (other than a director or chief executive of the Company) had any interest or short position in any shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during 2014.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014:

(A) The percentage of the aggregate amount of purchases attributable to the Group's major suppliers are as follows:

— the largest supplier	Not applicable
— five largest suppliers combined	Not applicable

(B) The percentage of the aggregate amount of sales attributable to the Group's major customers are as follows:

— the largest customer	49%
— five largest customers combined	89%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors or their respective associates has any interest in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 30.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

Chan Ka Chung
Chairman

Hong Kong, 24 March 2015

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders. To ensure continued compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, the management of the Company periodically reviews and proposes necessary amendments to its corporate governance practices.

During the year ended 31 December 2014, the Company has complied with all the code provisions of the CG Code except for none of the existing non-executive Directors being appointed for a specific term which constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

THE BOARD

The Board, which meets at least four times a year with additional meetings arranged when necessary, has established a schedule of matters reserved for its approval. In addition to the management and daily operation of the Company, the Board has specific responsibility including matters in relation to the strategy and overall management of the Group; capital, corporate and control structures; financial reporting and controls; internal controls; major capital projects and contracts; communication with the shareholders; Board membership and the appointment of company secretary and auditors; Directors' remuneration; delegation of authority to committees and the Group's overall corporate governance arrangements.

Save as those matters mentioned above as specifically reserved for the Board, the Board has delegated general powers to the management and various Board committees to deal with the daily operations of the Company.

As at 31 December 2014, the Board comprises eight members with a wide range of business, financial, accounting and management skills and experience as well as a balanced composition of the executive and independent non-executive Directors to ensure independent judgment and effective operation of the Board. There were seven Board meetings held during the year. Changes to the Board during the year as well as the number of Board meetings held and attended by each individual Director (including attendance via telephone conference) during his/her respective term of office in the year are as follows:

		Number of Board meetings held during the Director's term of office in 2014	Number of meetings attended
Executive Directors:			
CHAN Ka Chung (Chairman)		7	7
WANG Jianguo		7	6
HUI Ka Chun	(appointed on 4 September 2014 and resigned effective on 16 April 2015)	2	1
CHEUNG Wai Kwan	(appointed on 4 September 2014)	2	2
TANG Chi Chu	(resigned on 4 September 2014)	5	5
Independent Non-executive Directors:			
WU Yan		7	5
HU Xuezhen	(appointed on 8 April 2014)	5	5
CHAN Yee Ping, Michael	(appointed on 15 July 2014)	4	4
LAM Chun Ho	(appointed on 24 October 2014)	1	1
KWOK Chung On	(resigned on 8 April 2014)	2	2
WU Chi Keung	(resigned on 15 July 2014)	3	3

Mr. Chan Ka Chung, Mr. Wang Jianguo, Mr. Wu Chi Keung and Ms. Wu Yan attended the annual general meeting of the Company held on 12 June 2014.

Mr. Chan Ka Chung, Mr. Wu Chi Keung and Ms. Wu Yan attended the extraordinary general meetings of the Company held on 11 January 2014.

The biographical details of each existing Director are set out on pages 10 and 11.

Roles of the Chairman and Chief Executive Officer

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive officer has been set out in writing.

The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interests of the Group.

The chief executive officer is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operations of the Group.

During the year under review, the Company did not have a chief executive officer and the duties of chief executive officer were carried out by Mr. Wang Jianguo, an executive Director.

Directors' training

Upon joining the Company, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's affairs as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with updates on latest development and changes in Listing Rules and other relevant legal and regulatory requirements from time to time.

Pursuant to the revised CG Code which was effective on 1 April 2012, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. For the period from 1 January to 31 December 2014, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Each committee has defined terms of reference covering its constitution, duties and authorities. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website.

Audit Committee

The principal responsibilities of the Audit Committee include: to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors; to review and monitor the external Auditors' independence and objectivity; to develop and implement policy on the engagement of the external Auditors to supply non-audit services; to monitor integrity of the interim and annual financial statements, interim and annual reports and accounts; to review significant financial reporting judgments particularly on any changes in accounting policies and practices; to ensure that management has discharged its duty to have an effective internal control system and to consider any findings of major investigations of internal control matters; to review the external auditors' management letter, any material queries raised by the auditors to management in respect of the accounting records, financial statements or systems of control and management's response.

During the year, the Audit Committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to Board approval; reviewing the external auditors' reports and findings on the work performed and the related internal control matters; reviewing significant financial reporting judgements focusing in accounting policies, reviewing and approving the external auditors' terms of engagement (including audit fee).

The Audit Committee currently comprises four members, all of which are independent non-executive Directors. All members possess diversified expertise and experience, including those in finance, accounting and legal matters. There were two Audit Committee meetings held during the year. The number of Audit Committee meetings held and attended by each individual member (including attendance via telephone conference) during his/her respective term of office in the year are as follows:

	Audit Committee meeting held/ attended
WU Yan	2/2
HU Xuezhen (appointed on 8 April 2014)	1/1
CHAN Yee Ping, Michael (appointed on 15 July 2014)	1/1
LAM Chun Ho (appointed on 24 October 2014)	—
KWOK Chung On (resigned on 8 April 2014)	1/1
WU Chi Keung (resigned on 15 July 2014)	1/1

Remuneration Committee

The Remuneration Committee is principally responsible for recommending to the Board on the Company's remuneration policy and structure for the Directors and senior management; determining the specific remuneration packages of all executive Directors and senior management; recommending to the Board the remuneration of non-executive Directors; reviewing performance-based remuneration; determining compensation payable to executive Directors and senior management in connection with any loss or termination of office.

During the year, there were no changes to the remuneration policy of the Directors.

The Remuneration Committee comprised four members, with Mr. Chan Yee Ping, Michael as chairman and Mr. Chan Ka Chung, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members. There was one Remuneration Committee meeting held.

Nomination Committee

The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board; making recommendations on any proposed changes to the Board for implementation of the Company's corporate strategy; identifying and nominating appropriate candidates as Board members; assessing the independence of independent non-executive Directors; recommending to the Board on succession planning for chairman and chief executive officer.

The Nomination Committee comprises four members, with Chan Yee Ping, Michael as chairman and Mr. Chan Ka Chung, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members. There were four Nomination Committee meetings held.

Corporate Governance Committee

The Corporate Government Committee is principally responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's internal control manual; reviewing the Company's compliance with the CG Code and disclosure in its corporate governance report.

The Corporate Governance Committee comprises all Directors, with Chan Yee Ping, Michael as chairman and other directors as members. There was one Corporate Governance Committee meeting held.

REMUNERATION OF DIRECTORS

The Board has set out a formal policy for determining Directors' remuneration, the main elements involved are:

- There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors and no individual should determine his own remuneration.

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals but the Group should avoid paying more than is necessary for these purposes.

- The total remuneration package should be competitive in relation to comparable organisations in each of the countries or regions in which the Group operates.

Remuneration of Executive Directors

The key components to executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits.

The remuneration of ongoing executive Directors are mainly subject to an annual performance appraisal. A performance standard is established and fixed for duties and responsibilities of each single executive Director and appraisal results are discussed with the chairman and/or chief executive officer by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee should then consult the chairman and/or the chief executive officer regarding their proposals relating to the remuneration of the executive Directors. It is a duty of the Remuneration Committee to determine the specific remuneration packages of all executive Directors by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the executive Directors, employment conditions elsewhere in the Group and individual performance.

Remuneration of non-executive Directors

In view of the growing responsibilities of non-executive Directors, their role has become more complex and demanding. The remuneration for any particular non-executive Director should reflect the likely workload and responsibility involved, the scale and complexity of the business and the market practice.

The directors' fees of non-executive Directors are based on a formal independent review undertaken no less frequently than every three years. Such fees should be proposed by the executive management, reviewed and recommended to the Board by the Remuneration Committee and approved by the shareholders (either specifically or by means of a resolution authorising the Board to fix the fees) at each annual general meeting.

Share Options

A Director (either executive or non-executive Director) may also benefit from the share option scheme adopted by the Company from time to time. Such reward is to provide additional incentive to Directors and to reward loyal Directors who have contributed to the Company's success in various ways. Any share options granted to a Director should be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) or approved by shareholders whenever it is applicable pursuant to the scheme rules and the Listing Rules. Such options are exercisable during a period not exceeding ten years from the date of grant subject to vesting or other conditions (if any) and under an exercise price to be determined by the Board in compliance with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she had complied with the required standard as set out in the Model Code during the year ended 31 December 2014.

FINANCIAL REPORTING

The Directors hereby acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The interim and annual results of the Group are announced on a timely manner within the time limits set by the regulatory authorities.

In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies; made judgments and estimates that are prudent, fair and reasonable.

The statement of the Auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 31 and 32.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the year, the Company has engaged an internal control consultant to perform a follow-up review on the Group's financial reporting procedures and internal control systems for the year ended 31 December 2014 an on an annual retained basis thereafter in accordance with recognised framework. The Group has adopted the recommendation proposed by the consultant and carried out procedures to remediated the weaknesses identified.

AUDITORS' FEES

The Company's current external auditors are HLB Hodgson Impey Cheng Limited. For the year ended 31 December 2014, the fees payable to the external auditors for audit service and review service (non-audit service) were HK$980,000 and HK$100,000, respectively.

COMPANY SECRETARY

During the year, the Company Secretary of the Company was Mr. Lam Sung Him, Gaston.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings ("EGM")

Shareholders holding not less than one-twentieth (i.e. 5%) of the paid-up capital and carrying the right of voting at a general meeting of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and shareholders concerned) at the register office of the Company for the attention of the Company Secretary. If the Directors do not within twenty one days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than twenty eight days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at shareholders' meetings

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (i.e. 2.5%) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected; together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later seven days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong (email: contact@chinarenji.com).

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the annual reports and the financial statements as well as the interim reports which are available to shareholders on a timely basis. All shareholders are encouraged to attend the general meetings of the Company to discuss the businesses of the Group.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
CHINA RENJI MEDICAL GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Renji Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 159, which comprise the consolidated and the Company statements of financial position as at 31 December 2014, and 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), 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 auditors' 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 auditors consider 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 Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 24 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	7	**85,385**	110,957
Cost of services and goods sold		**(18,245)**	(36,321)
Gross profit		**67,140**	74,636
Other gains and losses	9	**15,108**	20,410
Administrative expenses		**(66,244)**	(38,066)
Net gain on disposal of property, plant and equipment and other intangible assets		**16,898**	—
Impairment loss on property, plant and equipment	18	**—**	(96,136)
Impairment loss on other intangible assets	22	**—**	(67,389)
Impairment loss on promissory note receivable		**—**	(480)
Share of results of associates	24	**(1,971)**	1,632
Share of results of joint venture	25	**(476)**	—
Loss on disposal of associates	24	**(60,960)**	—
Finance costs	10	**(8,995)**	(3,650)
Loss before taxation		**(39,500)**	(109,043)
Income tax	11	**(2,320)**	(7,452)
Loss for the year	12	**(41,820)**	(116,495)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		**(5,109)**	18,009
Other comprehensive (loss)/income for the year, net of tax		**(5,109)**	18,009
Total comprehensive loss for the year		**(46,929)**	(98,486)

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)/profit for the year attributable to:			
Owners of the Company		**(61,138)**	(122,665)
Non-controlling interests		**19,318**	6,170
		(41,820)	(116,495)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(63,291)**	(105,526)
Non-controlling interests		**16,362**	7,040
		(46,929)	(98,486)
Loss per share attributable to owners of the Company (HK cents)	16		
— Basic (Restated)		**(7.00)**	(15.51)
— Diluted (Restated)		**(7.00)**	(15.51)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**26,409**	77,654
Land use right	19	**3,799**	3,904
Investment properties	20	**44,850**	—
Goodwill	21	**5,043**	—
Other intangible assets	22	**5,422**	10,335
Interests in associates	24	**—**	72,430
Available-for-sale financial assets	26	**264,602**	76,147
Long-term prepayments and deposits	28	**109,098**	52,478
		459,223	292,948
Current assets			
Land use right	19	**88**	89
Inventories	29	**6,222**	—
Trade receivables	30	**41,593**	52,308
Other receivables, prepayments and deposits	30	**133,498**	260,419
Available-for-sale financial assets	26	**34,806**	—
Financial assets at fair value through profit or loss	31	**38,033**	—
Amounts due from a joint venture	32	**11,957**	—
Amount due from a non-controlling shareholder of a subsidiary		**—**	5,711
Cash and bank balances	33	**178,069**	83,767
		444,266	402,294
Current liabilities			
Trade and other payables	34	**45,095**	89,038
Amounts due to directors	35	**528**	15,594
Amounts due to non-controlling shareholders of a subsidiary	36	**4,500**	—
Tax payable		**12,547**	13,199
Borrowings	37	**109,704**	77,564
Guaranteed convertible note	38	**—**	1,000
Convertible bonds	39	**43,227**	—
		215,601	196,395
Net current assets		**228,665**	205,899
Total assets less current liabilities		**687,888**	498,847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Borrowings	37	**68,764**	—
Convertible notes	39	**1,937**	—
Bonds payable	40	**20,018**	—
Promissory note	41	**9,922**	—
Deferred tax liabilities	42	**30**	533
		100,671	533
Net assets		**587,217**	498,314
CAPITAL AND RESERVES			
Share capital	43	**2,464,228**	1,354,511
Reserves		**(2,011,775)**	(945,938)
Equity attributable to owners of the Company		**452,453**	408,573
Non-controlling interests		**134,764**	89,741
Total equity		**587,217**	498,314

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on its behalf by:

CHAN KA CHUNG	**WANG JIANGUO**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**1,233**	530
Investments in subsidiaries	23	**2,401**	1
Amounts due from subsidiaries	23	**283,368**	303,356
Interests in associates	24	**—**	70,798
Long-term prepayments and deposits	28	**2,944**	—
		289,946	374,685
Current assets			
Available-for-sale financial assets	26	**820**	—
Other receivables, prepayments and deposits	30	**10,338**	693
Financial assets at fair value through profit or loss	31	**38,033**	—
Amount due from a joint venture	32	**848**	—
Cash and bank balances	33	**122,950**	94
		172,989	787
Current liabilities			
Other payables and accruals	34	**20,781**	71,784
Amounts due to directors	35	**—**	15,594
Amounts due to subsidiaries	23	**13,251**	13,255
Borrowings	37	**52,000**	77,564
Convertible bonds	39	**43,227**	—
		129,259	178,197
Net current assets/(liabilities)		**43,730**	(177,410)
Total assets less current liabilities		**333,676**	197,275
Non-current liabilities			
Borrowings	37	**67,968**	—
Convertible notes	39	**1,937**	—
Bonds payable	40	**20,018**	—
Promissory note	41	**9,922**	—
Deferred tax liabilities	42	**30**	—
		99,875	—
Net assets		**233,801**	197,275

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	43	**2,464,228**	1,354,511
Reserves	44	**(2,230,427)**	(1,157,236)
Total equity		**233,801**	197,275

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on its behalf by:

CHAN KA CHUNG	**WANG JIANGUO**
Director	*Director*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Capital redemption reserve**	**Share option reserve**	**Exchange translation reserve**	**Equity component of convertible bonds/notes**	**Warrant reserves**	**Other reserves**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 43)	(Note 44(i))	(Note 44(i))	(Note 44(ii))	(Note 44(iii))	(Note 44(iv))		(Note 44(v))				
At 1 January 2013	1,354,511	981,851	1,899	35,415	163,559	—	—	—	(2,041,546)	495,689	31,111	526,800
(Loss)/profit for the year	—	—	—	—	—	—	—	—	(122,665)	(122,665)	6,170	(116,495)
Other comprehensive income for the year:												
Exchange difference on translating foreign operations	—	—	—	—	17,139	—	—	—	—	17,139	870	18,009
Total comprehensive income/(loss) for the year	—	—	—	—	17,139	—	—	—	(122,665)	(105,526)	7,040	(98,486)
Change in ownership interests of subsidiaries (Note 54)	—	—	—	—	(49,834)	—	—	68,244	—	18,410	51,590	70,000
At 31 December 2013 and 1 January 2014	**1,354,511**	**981,851**	**1,899**	**35,415**	**130,864**	**—**	**—**	**68,244**	**(2,164,211)**	**408,573**	**89,741**	**498,314**
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(61,138)**	**(61,138)**	**19,318**	**(41,820)**
Other comprehensive loss for the year:												
Exchange difference on translating foreign operations	**—**	**—**	**—**	**—**	**(2,153)**	**—**	**—**	**—**	**—**	**(2,153)**	**(2,956)**	**(5,109)**
Total comprehensive (loss)/income for the year	**—**	**—**	**—**	**—**	**(2,153)**	**—**	**—**	**—**	**(61,138)**	**(63,291)**	**16,362**	**(46,929)**
Transfer from share premium and capital redemption reserve to share capital upon abolition of par value	**983,750**	**(981,851)**	**(1,899)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of unlisted warrants	**—**	**—**	**—**	**—**	**—**	**—**	**540**	**—**	**—**	**540**	**—**	**540**
Expenses in relation to issue of unlisted warrants	**—**	**—**	**—**	**—**	**—**	**—**	**(182)**	**—**	**—**	**(182)**	**—**	**(182)**
Release upon loss of control arising from disposal of a subsidiary	**—**	**—**	**—**	**—**	**(1,335)**	**—**	**—**	**—**	**—**	**(1,335)**	**(31,677)**	**(33,012)**
Issue of convertible bonds/notes	**—**	**—**	**—**	**—**	**—**	**547**	**—**	**—**	**—**	**547**	**—**	**547**
Deferred tax liability arising on issue of convertible bonds/notes	**—**	**—**	**—**	**—**	**—**	**(90)**	**—**	**—**	**—**	**(90)**	**—**	**(90)**
Redemption of convertible notes	**—**	**—**	**—**	**—**	**—**	**(272)**	**—**	**—**	**59**	**(213)**	**—**	**(213)**
Issue of shares pursuant to exercise of unlisted warrants	**29,879**	**—**	**—**	**—**	**—**	**—**	**(179)**	**—**	**—**	**29,700**	**—**	**29,700**
Issue of shares pursuant to the rights issue	**100,542**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100,542**	**—**	**100,542**
Transaction costs attributable to issue of ordinary shares pursuant to rights issue	**(4,454)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,454)**	**—**	**(4,454)**
Recognition of share-based payments	**—**	**—**	**—**	**10,109**	**—**	**—**	**—**	**—**	**—**	**10,109**	**—**	**10,109**
Disposal of associates	**—**	**—**	**—**	**—**	**141**	**—**	**—**	**—**	**—**	**141**	**—**	**141**
Change in ownership interests of subsidiaries (Note 54)	**—**	**—**	**—**	**—**	**(32,607)**	**—**	**—**	**4,473**	**—**	**(28,134)**	**60,338**	**32,204**
At 31 December 2014	**2,464,228**	**—**	**—**	**45,524**	**94,910**	**185**	**179**	**72,717**	**(2,225,290)**	**452,453**	**134,764**	**587,217**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before taxation	**(39,500)**	(109,043)
Adjustments for:		
Finance costs	**8,995**	3,650
Interest income	**(925)**	(1,873)
Depreciation of property, plant and equipment and jointly-operated assets	**8,470**	22,023
Amortisation of land use right	**88**	87
Amortisation of other intangible assets	**1,542**	8,930
Impairment loss on other intangible assets	**—**	67,389
Write-off of property, plant and equipment	**259**	2
Net gain on disposal of property, plant and equipment and other intangible assets	**(16,898)**	—
Impairment loss on property, plant and equipment	**—**	96,136
Impairment loss on promissory note receivable	**—**	480
Gain on disposal of a subsidiary	**(1,304)**	—
Share of results of associates	**1,971**	(1,632)
Share of results of joint venture	**476**	—
Gain arising from change in fair value of investment properties	**(3,535)**	—
Unrealised gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**(30)**	—
Loss on disposal of associates	**60,960**	—
Loss on redemption of promissory note and convertible notes	**1,631**	—
Expenses recognised in respect of equity settled share based payments	**10,109**	—
Waiver of loan interest payable	**(789)**	—
Exchange gain on borrowings and interest payable	**(10,029)**	(18,390)
Operating cash flows before movements in working capital	**21,491**	67,759
Increase in inventories	**(398)**	—
Decrease/(increase) in trade receivables	**10,906**	(3,993)
Decrease/(Increase) in other receivables, prepayments and deposits	**24,045**	(8,240)
Increase in amounts due from a joint venture	**(12,433)**	—
Decrease in trade and other payables	**(494)**	(1,360)
(Decrease)/increase in amounts due to directors	**(35,995)**	10,344
Cash generated from operations	**7,122**	64,510
Interest received	**925**	1,871
Income tax paid	**(3,484)**	(2,379)
Net cash generated from operating activities	**4,563**	64,002

	2014	2013
	HK$'000	HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,749)	(6,084)
Proceeds from disposal of property, plant and equipment	15,102	—
Proceeds from disposal of associates	3,500	—
Purchase of financial assets at fair value through profit or loss	(38,003)	—
Proceeds from partial disposal of a subsidiary	6,000	—
Net cash outflow on acquisition of subsidiaries	(3,125)	—
Deposits paid for acquisition of property, plant and equipment	(34,903)	(1,753)
Payment on acquisition of available-for-sale financial assets	(43,933)	(75,132)
Net cash outflow on acquisition of associates	—	(15,000)
Net cash outflow on disposal of a subsidiary	(111)	—
Net cash used in investing activities	(98,222)	(97,969)
Cash flows from financing activities		
Proceeds from borrowings	87,749	—
Proceeds from issue of shares pursuant to rights issue	100,542	—
Transaction cost attributable to issue of ordinary shares issued to rights issue	(4,454)	—
Proceeds from issue of unlisted warrants	540	—
Expenses in related to issue of unlisted warrants	(182)	—
Proceeds from issue of shares pursuant to exercise of unlisted warrants	29,700	—
Proceeds from issue of convertible notes	10,000	—
Proceeds from issue of bonds payable	20,000	—
Proceeds from placing of convertible bonds	43,344	—
Repayment of borrowings	(29,096)	—
Repayment of guaranteed convertible note	(1,000)	—
Repayment of convertible notes	(8,000)	—
Repayment of promissory notes	(50,000)	—
Interest paid	(9,334)	—
Net cash generated from financing activities	189,809	—
Net increase/(decrease) in cash and cash equivalents	96,150	(33,967)
Cash and cash equivalents at the beginning of the year	83,767	115,980
Effect of foreign exchange rate changes	(1,848)	1,754
Cash and cash equivalents at the end of the year	178,069	83,767
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	178,069	83,767

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 53.

The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated. The Directors consider that the functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Stock Exchange, the Directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), which are effective for the Company's financial year beginning 1 January 2014. A summary of the new and revised HKFRSs are set out as below:

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

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.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities — continued

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 it its investor(s) that the 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'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount and Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount and Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) — Int 21 Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure[1]
HKFRS 9	Financial Instruments[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKAS 1 (Amendments)	Disclosures initiative[5]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions[6]
HKAS 27 (Amendments)	Equity Method In Separate Financial Statements[5]
HKFRS 10, HKFRS 12 and HKAS 28 (2014) (Amendments)	Investment Entities: Applying the Consolidation Exception[5]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
HKFRSs (Amendments)	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.

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' measurement category for certain simple debt instruments.

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

New and revised HKFRSs in issue but not yet effective — continued

HKFRS 9 Financial Instruments — continued

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 reporting 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 fair value through other comprehensive income. 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 irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

New and revised HKFRSs in issue but not yet effective — continued

HKFRS 9 Financial Instruments — continued

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective — 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: Identity 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.

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.

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

New and revised HKFRSs in issue but not yet effective — continued

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 (2011) Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 (2011) clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 (2011) will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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.

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

New and revised HKFRSs in issue but not yet effective — continued

Amendments to HKAS 27 Equity Method in Separate Financial Statements — continued

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 to 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.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective — 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 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition 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.

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

New and revised HKFRSs in issue but not yet effective — continued

Annual Improvements to HKFRSs 2010–2012 Cycle — continued

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.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

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.

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

New and revised HKFRSs in issue but not yet effective — 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 amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for postemployment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are entirely can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and,
- any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(c) Basis of consolidation — continued

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(d) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(d) Business combinations — continued

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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 are expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

(f) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(f) Investments in associates and joint ventures — continued

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(f) Investments in associates and joint ventures — continued

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

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

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

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(g) Jointly-operated assets

When a group entity undertakes its activities under joint operations directly, constituted as jointly-operated assets, the Group's share of the jointly-operated assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly-operated assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly-operated assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(h) Revenue recognition — continued

Rental income from operating leases is recognised in profit or loss over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(i) Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(i) Property, plant and equipment — continued

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current year are as follows:

Leasehold improvements	20%–33.3% or over the shorter of the term of the lease
Plant	5%
Medical equipment	5%–18% or over the shorter of the term of the co-operative contracts
Furniture, fixtures and equipment	20%–33.3%
Motor vehicles	10%–25%
Computer equipment	30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(k) Other intangible assets

Other intangible assets acquired separately

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

Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as other intangible assets that are acquired separately.

Derecognition of other intangible assets

Other intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(l) Impairment loss on tangible and intangible assets other than goodwill

At the end of each 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). 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.

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 the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(l) Impairment loss on tangible and intangible assets other than goodwill — continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the 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.

(m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a basis of specific percentage of the revenue of the lease in accordance with the contractual term of the leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Land use right under operating lease is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partied disposal of an interest in a joint arrangement or an associate than includes a foreign operation of which the retained interest become a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(o) Borrowings costs

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

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

(p) Retirement benefits costs

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

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(q) Taxation — continued

Deferred tax — continued

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

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

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

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

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial assets — continued

Financial assets at fair value through profit or loss — continued

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designed as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manned described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial assets — continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amounts of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividend on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial asset below).

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial assets — continued

Loans and receivables

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

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Convertible notes

The component parts of compound instruments (convertible bonds/notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequent remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of convertible instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible instruments using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Financial instruments — continued

Financial liabilities and equity instruments — continued

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to directors, amounts due to non-controlling shareholders of a subsidiary, borrowings, bonds payable and promissory note payable) are subsequently measured at amortised cost using the effective interest method.

Promissory note

Promissory note is recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

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 other than financial liabilities classified as at fair value through profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) 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 the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(t) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit of loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(t) Share-based payment transactions — continued

Equity-settled share-based payment transactions — continued

Share options granted to directors, employees and others providing similar services after 7 November 2002 and vested on or after 1 January 2005

Equity-settled share-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 45.

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 (share option reserve).

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 option 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.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(w) Segment information

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

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

(x) Related parties

A party is considered to be related to the Group if:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(x) Related parties — continued

(2) An entity is related to the Group if any of the following condition applies:

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(y) Current assets and liabilities

Current assets are expected to be realised within twelve months of the reporting date or in the normal course of the operating cycle. Current liabilities are expected to be settled within twelve months of the reporting date or in the normal course of the operating cycle.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Control over Wintin International Limited

Note 53 describes that Wintin International Limited is a subsidiary of the Group although the Group has only 45% ownership interests in Wintin International Limited. The Group has the 45% ownership since December 2014 and the remaining 55% of shareholdings are owned by two shareholders that are unrelated to the Group. Details of Wintin International Limited are set out in note 53.

The directors of the Company assessed whether or not the Group has control over Wintin International Limited based on whether the Group has the practical ability to direct the relevant activities of Wintin International Limited unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in Wintin International Limited and the relative size of dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Wintin International Limited and therefore the Group has control over Wintin International Limited.

Classification of Golden Times Management Limited as joint venture

Golden Times Management Limited is limited liability company whose legal form confers separation between the parties to the joint arrangements and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, Golden Times Management Limited is classified as joint venture of the Group. See note 25 for details.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Key sources of estimation uncertainty

The following are 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 amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2014 was HK$5,043,000 (31 December 2013: HK$ nil). Details of the impairment loss calculation are set out in note 21.

Impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Allowance is applied to trade and other receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

Impairment of tangible assets

Management periodically reviews each tangible asset for possible impairment or reversal of previously recognised impairment. Recoverability of tangible assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

Impairment of other intangible assets and property, plant and equipment

Determining whether other intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which other intangible assets and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in notes 18 and 22 respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Key sources of estimation uncertainty — continued

Impairment of available-for-sale financial assets

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods based primarily on the latest selling and purchase prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for slowing-moving inventory. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods, additional allowances may be required.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Key sources of estimation uncertainty — continued

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and People's Republic of China. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, guaranteed convertible note, convertible bonds/notes, bonds payable and promissory note, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares and repayment of borrowings.

5. CAPITAL MANAGEMENT — CONTINUED

Gearing ratio — continued

The gearing ratio at the end of the reporting period was as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Debt (note (i))	**253,572**	78,564
Cash and cash equivalents (note 33)	**(178,069)**	(83,767)
Net debt	**75,503**	(5,203)
Equity (note (ii))	**452,453**	408,573
Net debt to equity ratio	**16.69%**	N/A

Notes:

(i) Debt comprises borrowings, guaranteed convertible note, convertible bonds, convertible notes, bonds payable and promissory note as detailed in notes 37, 38, 39, 40 and 41 respectively.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
— Trade receivables	**41,593**	52,308	**—**	—
— Other receivables and deposits	**132,009**	254,299	**8,850**	359
— Amount due from a non-controlling shareholder of a subsidiary	**—**	5,711	**—**	—
— Amounts due from a joint venture	**11,957**	—	**848**	—
— Long-term deposits	**106,154**	—	**—**	—
— Amounts due from subsidiaries	**—**	—	**283,368**	303,356
— Cash and bank balances	**178,069**	83,767	**122,950**	94
	469,782	396,085	**416,016**	303,809
Financial assets at fair value through profit or loss	**38,033**	—	**38,033**	—
Available-for-sale financial assets	**299,408**	76,147	**820**	—
Financial liabilities				
At amortised cost				
— Trade and other payables	**45,095**	89,038	**20,781**	71,784
— Amounts due to directors	**528**	15,594	**—**	15,594
— Amounts due to non-controlling shareholders of a subsidiary	**4,500**	—	—	—
— Amount due to subsidiaries	**—**	—	**13,251**	13,255
— Borrowings	**178,468**	77,564	**119,968**	77,564
— Guaranteed convertible note	**—**	1,000	**—**	—
— Convertible bonds	**43,227**	—	**43,227**	—
— Convertible notes	**1,937**	—	**1,937**	—
— Bonds payable	**20,018**	—	**20,018**	—
— Promissory note	**9,922**	—	**9,922**	—
	303,695	183,196	**229,104**	178,197

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a non-controlling shareholder of a subsidiary, amounts due from a joint venture, long-term deposits, cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, trade and other payables, amounts due to directors, amounts due to non-controlling shareholders of a subsidiary, borrowings, guaranteed convertible note, convertible bonds, convertible notes, bonds payable and promissory note. The Company's major financial instruments include other receivables and deposits, amount due from a joint venture, amounts due from subsidiaries, cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, other payables and accruals, amounts due to directors, amounts due to subsidiaries, borrowings, convertible bonds, convertible notes, bonds payable and promissory note. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(i) Credit risk management

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

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(i) Credit risk management — continued

The Group's exposure to credit risk is also influenced by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 38% (2013: 31%) and 86% (2013: 92%) of the trade receivables which was due from the Group's largest customer and the five largest customers respectively.

(ii) Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates, interest rates, equity prices and liquidity condition.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk management

The Group and the Company have foreign currency denominated borrowings and other payables, which expose the Group and the Company to foreign currency risk.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Liabilities				
Japanese Yen ("JPY")	**72,922**	86,731	**72,922**	86,731

Foreign currency sensitivity analysis

The Group and the Company is mainly exposed to the effects of fluctuation in JPY.

The following table details the Group's and the Company's sensitivity to a 5% (2013: 5%) increase and decrease in Hong Kong dollars against JPY. 5% (2013: 5%) is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and external loans where the denomination of the loan is in a currency other that the currency of the borrower. A positive number below indicates a decrease in loss where HK$ strengthens 5% (2013: 5%) against the JPY. For a 5% (2013: 5%) weakening of HK$ against the JPY, there would be an equal and opposite impact on the loss and the balances below would be negative.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(i) Foreign currency risk management — continued

Foreign currency sensitivity analysis — continued

	Impact of JPY			
	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss (note)	**3,646**	4,337	**3,646**	4,337

Note:

This is mainly attributable to the exposure outstanding on borrowings and other payables denominated in JPY not subject to cash flow hedge at the end of the reporting period.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings from financial institutions, fixed-rate guaranteed convertible note, convertible bonds and convertible notes (see notes 37, 38 and 39 respectively for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see Notes 33 and 37 respectively for details).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances and borrowings at the end of each reporting period. For variable-rate bank balances and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2014 would decrease/increase by HK$543,000 (2013: loss would decrease/increase by HK$30,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iii) Other price risks

The Group and the Company is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange. In addition, the management of the Company monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity price had been 5% higher/lower (2013: higher/lower), post-tax loss for the year ended 31 December 2014 would decrease/increase by approximately HK$1,902,000 (2013: nil). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(iv) Liquidity risk management

The Group has net current assets as at 31 December 2014 and 31 December 2013. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing borrowings and cash flows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings from time to time.

The following table details the Group's and the Company's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iv) Liquidity risk management — continued

The Group

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014					
Trade and other payables	**—**	**45,095**	**—**	**45,095**	**45,095**
Amounts due to directors	**—**	**528**	**—**	**528**	**528**
Amounts due to non-controlling shareholders of a subsidiary	**—**	**4,500**	**—**	**4,500**	**4,500**
Borrowings	**6.53**	**109,704**	**68,764**	**178,468**	**178,468**
Convertible bonds/notes	**8.26**	**43,340**	**2,000**	**45,340**	**45,164**
Bonds payable	**7.16**	**—**	**20,000**	**20,000**	**20,018**
Promissory note	**5.00**	**—**	**10,240**	**10,240**	**9,922**
		203,167	**101,004**	**304,171**	**303,695**
2013					
Borrowings	2.20	77,564	—	77,564	77,564
Trade and other payables	—	89,038	—	89,038	89,038
Amounts due to directors	—	15,594	—	15,594	15,594
Guaranteed convertible note	5.00	1,000	—	1,000	1,000
		183,196	—	183,196	183,196

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iv) Liquidity risk management — continued

The Company

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2014					
Other payables and accruals	**—**	**20,781**	**—**	**20,781**	**20,781**
Amounts due to subsidiaries	**—**	**13,251**	**—**	**13,251**	**13,251**
Borrowings	**6.53**	**52,000**	**67,968**	**119,968**	**119,968**
Convertible bonds/notes	**8.26**	**43,340**	**2,000**	**45,340**	**45,164**
Bonds payable	**7.16**	**—**	**20,000**	**20,000**	**20,018**
Promissory note	**5.00**	**—**	**10,240**	**10,240**	**9,922**
		129,372	**100,208**	**229,580**	**229,104**
2013					
Other payables and accruals	—	71,784	—	71,784	71,784
Amounts due to subsidiaries	—	13,255	—	13,255	13,255
Borrowings	2.20	77,564	—	77,564	77,564
Amounts due to directors	—	15,594	—	15,594	15,594
		178,197	—	178,197	178,197
Financial guarantee issued — maximum amount granted		1,000	—	1,000	—

(c) Fair value measurements

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements — continued

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the both years.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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

	Fair value as at			
Financial assets	**31 December 2014**	31 December 2013	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets at fair value through profit or loss	**Listed equity securities in Hong Kong: — HK$38,033,000**	Nil	Level 1	Quoted bid prices in an active market

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements — continued

Fair value of financial assets and financial liabilities that are not measured at fair value (but the fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

The Group and the Company

	2014		2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible notes/bonds	**45,164**	**45,143**	—	—
Promissory note	**9,922**	**9,906**	—	—

The Group and the Company

	Fair value hierarchy as at 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets				
Financial assets at fair value through profit or loss	**38,033**	**—**	**—**	**38,033**

The were no transfers between level 1 and 2 in the period.

7. TURNOVER

Turnover, which is also revenue, represents the amounts received and receivable for goods and services provided, net of discounts and sales related taxes, by the Group to outside customers.

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Sale of optical and eye-care products	**2,390**	—
Leasing and service income from operations of medical equipment	**82,995**	110,957
	85,385	110,957

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

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

(i) Healthcare and well being business — leasing and operation of medical equipment and provision of services on operation of medical equipment in the People's Republic of China (the "PRC");

— retail chain of optical products and eye-care services in Hong Kong

(ii) Investments management — investments in securities, capital/fixed assets and distressed assets

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2014

	Healthcare and well-being business *HK$'000*	Investments management *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	**85,385**	**—**	**85,385**
Segment revenue	**85,385**	**—**	**85,385**
Segment results	**56,119**	**(25)**	**56,094**
Other gains and losses			**15,108**
Central administration costs			**(38,300)**
Share of results of associates			**(1,971)**
Share of results of joint venture			**(476)**
Loss on disposal of associates			**(60,960)**
Finance costs			**(8,995)**
Loss before taxation			**(39,500)**
Income tax			**(2,320)**
Loss for the year			**(41,820)**

8. SEGMENT INFORMATION — CONTINUED

Segment revenue and results — continued

For the year ended 31 December 2013

	Healthcare and well-being business *HK$'000*	Consolidated *HK$'000*
Segment revenue		
External sales	110,957	110,957
Segment revenue	110,957	110,957
Segment results	(109,744)	(109,744)
Other gains and losses		20,410
Central administration costs		(17,211)
Impairment loss on promissory note receivable		(480)
Share of results of associates		1,632
Finance costs		(3,650)
Loss before taxation		(109,043)
Income tax		(7,452)
Loss for the year		(116,495)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned/loss incurred by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, loss on disposal of associates, share of results of joint venture, other gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

8. SEGMENT INFORMATION — CONTINUED

Segment assets and liabilities — continued

31 December 2014

	Healthcare and well-being business *HK$'000*	Investments management *HK$'000*	Total *HK$'000*
Segment assets	**605,126**	**117,689**	**722,815**
Unallocated			**180,674**
Consolidated assets			**903,489**
Segment liabilities	**20,988**	**57,926**	**78,914**
Unallocated			**237,358**
Consolidated liabilities			**316,272**

31 December 2013

	Healthcare and well-being business *HK$'000*
Segment assets	551,495
Unallocated	143,747
Consolidated assets	695,242
Segment liabilities	8,222
Unallocated	188,706
Consolidated liabilities	196,928

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

- All assets are allocated to operating segments other than interests in associates. Goodwill and intangible assets are allocated to segments as described in notes 21 and 22. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- All liabilities are allocated to operating segments other than guaranteed convertible note, convertible bonds/notes, bonds payable, promissory note and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

8. SEGMENT INFORMATION — CONTINUED

Other segment information

For the year ended 31 December 2014

	Healthcare and well-being business *HK$'000*	Investments management *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	**1,498**	**—**	**1,251**	**2,749**
Amortisation of land use right	**88**	**—**	**—**	**88**
Amortisation of other intangible assets	**1,542**	**—**	**—**	**1,542**
Depreciation of property, plant and equipment and jointly-controlled assets	**8,193**	**—**	**277**	**8,470**
Gain on disposal of a subsidiary	**1,304**	**—**	**—**	**1,304**
Gain arising from change in fair value of investment properties	**—**	**3,535**	**—**	**3,535**
Net gain on disposal of property, plant and equipment and other intangible assets	**16,909**	**—**	**(11)**	**16,898**
Write-off of property, plant and equipment	**—**	**—**	**259**	**259**
Unrealised gain arising on change in fair value of financial assets at fair value through profit or loss	**—**	**—**	**30**	**30**
Loss on redemption of promissory note	**—**	**—**	**1,608**	**1,608**
Loss on redemption of convertible notes	**—**	**—**	**23**	**23**
Waiver of loan interest payable	**—**	**—**	**789**	**789**

For the year ended 31 December 2013

	Healthcare and well-being business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	23,451	3	23,454
Amortisation of leasehold land	87	—	87
Amortisation of other intangible assets	8,930	—	8,930
Depreciation of property, plant and equipment and jointly-controlled assets	21,640	383	22,023
Impairment loss on property, plant and equipment	96,136	—	96,136
Impairment loss on other intangible assets	67,389	—	67,389
Impairment loss on promissory note receivable	—	480	480
Write-off of property, plant and equipment	—	2	2

8. SEGMENT INFORMATION — CONTINUED

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2014 **HK$'000**	2013 HK$'000
Leasing and service income from operations of medical equipment	**82,995**	110,957
Sale of optical and eye-care products	**2,390**	—
	85,385	110,957

Geographical information

The Group operates in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations are detailed below.

	2014 **HK$'000**	2013 HK$'000
Hong Kong	**2,390**	—
PRC	**82,995**	110,957
	85,385	110,957

The Group's information about its non-current assets* by location of assets are detailed below.

	2014 **HK$'000**	2013 HK$'000
Hong Kong	**404,504**	530
PRC	**54,719**	219,988
	459,223	220,518

* Non-current assets exclude interests in associates.

8. SEGMENT INFORMATION — CONTINUED

Information about major customers

For the year ended 31 December 2014, included in revenue arising from healthcare and well-being business of approximately HK$85,385,000 (2013: HK$110,957,000) are revenue generated from three (2013: four) customers amounting to approximately HK$67,225,000 (2013: HK$95,256,000) and each of these three (2013: four) customers has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue of the years ended 31 December 2014 and 2013.

Revenue from major customers is as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**41,597**	51,788
Customer B	**14,647**	17,562
Customer C	**10,981**	13,753
Customer D	**—**	12,153

9. OTHER GAINS AND LOSSES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Interest income on:		
Bank balances	**925**	1,871
Promissory note receivable	**—**	2
	925	1,873
Exchange gain, net	**10,029**	18,390
Unrealised gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**30**	—
Gain on disposal of a subsidiary (Note 47)	**1,304**	—
Gain arising from change in fair value of investment properties (Note 20)	**3,535**	—
Loss on redemption of convertible notes	**(23)**	—
Loss on redemption of promissory note	**(1,608)**	—
Write-off of property, plant and equipment	**(259)**	(2)
Waiver of loan interest payable	**789**	—
Others	**386**	149
	15,108	20,410

10. FINANCE COSTS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**1,881**	—
Loans from a former intermediate holding company and a former fellow subsidiary		
— wholly repayable within five years	**—**	2,283
— not wholly repayable within five years	**2,076**	—
Imputed interest on purchase consideration payable	**594**	1,317
Guaranteed convertible note (Note 38)	**195**	50
Imputed interest on convertible bonds and convertible notes (Note 39)	**902**	—
Imputed interest on bonds payable (Note 40)	**416**	—
Imputed interest on promissory note (Note 41)	**2,931**	—
	8,995	3,650

11. INCOME TAX

	The Group	
	2014	2013
	HK$'000	*HK$'000*
PRC enterprise income tax	**2,864**	12,713
Deferred taxation (Note 42)	**(544)**	(5,261)
Tax charge for the year	**2,320**	7,452

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2013: HK$ Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC enterprise income tax rate is 25% for the years ended 31 December 2014 and 2013.

11. INCOME TAX — CONTINUED

The taxation charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Loss before taxation	**(39,500)**	(109,043)
Taxation at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	**(6,518)**	(17,992)
Tax effect of expenses not deductible for tax purpose	**18,628**	23,294
Tax effect of income not taxable for tax purpose	**(2,720)**	(3,707)
Tax effect of tax losses not recognised	**26**	1,818
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,096)**	4,489
Over-provision of profits tax in prior year	**—**	(450)
Income tax charge for the year	**2,320**	7,452

12. LOSS FOR THE YEAR

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**8,315**	19,812
Depreciation of jointly-operated assets (Note 27)	**155**	2,211
Amortisation of other intangible assets included in cost of services (Note 22)	**1,542**	8,930
Amortisation of land use right (Note 19)	**88**	87
Total depreciation and amortisation	**10,100**	31,040
Auditors' remuneration	**980**	1,000
Cost of inventories recognised as expenses	**1,050**	—
Net gain on disposal of property, plant and equipment and other intangible assets	**(16,898)**	—
Impairment loss on property, plant and equipment (Note 18)	**—**	96,136
Impairment loss on other intangible assets (Note 22)	**—**	67,389
Impairment loss on promissory note receivable	**—**	480
Share of results of associates (Note 24)	**1,971**	(1,632)
Share of results of joint venture (Note 25)	**476**	—
Loss on disposal of associates (Note 24)	**60,960**	—
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**29,827**	19,241
— equity-settled share-based payments	**10,109**	—

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2013: six) directors of the Company were as follows:

For the year ended 31 December 2014

		Other emoluments			
	Fees	Salaries and other benefits	Employer's contribution to pension scheme	Share-based payments	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors					
Chan Ka Chung (note (a))	—	11,423	17	—	11,440
Hui Ka Chun (note (b))	—	192	3	1,010	1,205
Cheung Wai Kwan (note (b))	31	—	—	909	940
Wang Jianguo	600	—	—	—	600
Tang Chi Chiu (note (c))	98	—	—	—	98
Chan Yee Ping, Michael (note (d))	55	—	—	101	156
Lam Chun Ho (note (e))	23	—	—	101	124
Hu Xuezhen (note (f))	88	—	—	101	189
Wu Yan	100	—	—	—	100
Wu Chi Keung (note (g))	65	—	—	—	65
Kwok Chung On (note (h))	33	—	—	—	33
	1,093	11,615	20	2,222	14,950

For the year ended 31 December 2013

		Other emoluments		
	Fees	Salaries and other benefits	Employer's contribution to pension scheme	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors				
Chan Ka Chung (note (a))	445	3	—	448
Tang Chi Chiu (note (c))	144	—	—	144
Wang Jianguo	—	600	—	600
Wu Chi Keung (note (g))	120	—	—	120
Kwok Chung On (note (h))	120	—	—	120
Wu Yan	100	—	—	100
	929	603	—	1,532

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS — CONTINUED

Notes:

(a) Appointed on 9 September 2013.

(b) Appointed on 4 September 2014.

(c) Resigned on 4 September 2014.

(d) Appointed on 15 July 2014.

(e) Appointed on 24 October 2014.

(f) Appointed on 8 April 2014.

(g) Resigned on 15 July 2014.

(h) Resigned on 8 April 2014.

There is no emolument paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013. None of the directors waived any emolument in the year ended 31 December 2014 (2013: nil).

Senior management of the Group represents the executive directors during the years ended 31 December 2014 and 2013.

14. EMPLOYEES' EMOLUMENTS

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**2,058**	3,774
Employer's contribution to pension scheme	**50**	23
Share-based payment expenses	**2,375**	—
Total	**4,483**	3,797

14. EMPLOYEES' EMOLUMENTS — CONTINUED

The emoluments of the three (2013: four) non-director individuals with the highest emoluments were within the following bands:

	2014 **No. of employees**	2013 No. of employees
Nil to HK$1,000,000	**—**	3
HK$1,000,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	—

There is no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013. None of the five highest paid individuals has waived any emolument during the years ended 31 December 2014 and 2013.

15. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: HK$ Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Loss

	2014 ***HK$'000***	2013 *HK$'000*
Loss for the purpose of basic loss per share	**(61,138)**	(122,665)

Number of shares

	2014 ***'000***	2013 *'000* (Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**873,630**	791,057

The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 December 2014 and 2013 has been adjusted to reflect the impact of the share consolidation and issue of shares pursuant to rights issue and exercise of unlisted warrants effected during the respective reporting periods. The number of ordinary shares for the year ended 31 December 2013 has also been restated to reflect the impact of share consolidation and issue of shares pursuant to rights issue on a retrospective basis.

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY — CONTINUED

Number of shares — continued

The effects of the outstanding convertible bonds, convertible notes and outstanding share options were not included in the calculation of diluted loss per share for the years ended 31 December 2014 and 2013 as they have an anti-dilutive effect on the basic loss per share of the Company during the respective reporting periods.

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

The consolidated loss attributable to owners of the Company includes a loss of HK$97,162,000 (2013: profit of HK$2,775,000) which was arrived at before impairment for the interests in subsidiaries and amounts due from subsidiaries has been dealt with in the financial statements of the Company.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant	Medical equipment	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group								
Cost								
At 1 January 2013	4,368	4,926	474,201	1,245	5,186	313	16,968	507,207
Additions	—	—	23,389	62	—	3	—	23,454
Written-off	—	—	(1,001)	(30)	—	—	—	(1,031)
Exchange realignment	112	138	14,220	28	126	—	475	15,099
At 31 December 2013 and 1 January 2014	4,480	5,064	510,809	1,305	5,312	316	17,443	544,729
Additions	151	—	1,169	404	—	1,025	—	2,749
Acquisitions through business combinations	287	—	—	339	—	54	—	680
Reclassification	—	—	4,050	—	—	—	(4,050)	—
Disposals	(3,941)	—	(198,216)	(86)	—	—	(802)	(203,045)
Written-off	(518)	—	—	(102)	(677)	(17)	—	(1,314)
Exchange realignment	(22)	(21)	(2,218)	(4)	(20)	—	(79)	(2,364)
At 31 December 2014	437	5,043	315,594	1,856	4,615	1,378	12,512	341,435
Accumulated depreciation and impairment								
At 1 January 2013	1,509	394	335,945	397	1,668	157	—	340,070
Provided for the year	1,104	240	19,676	325	608	70	—	22,023
Written-off	—	—	(1,001)	(28)	—	—	—	(1,029)
Exchange realignment	54	14	9,754	11	42	—	—	9,875
Impairment loss recognised	—	—	96,136	—	—	—	—	96,136
At 31 December 2013 and 1 January 2014	2,667	648	460,510	705	2,318	227	—	467,075
Provided for the year	491	242	6,858	303	480	96	—	8,470
Eliminated on disposals of assets	(2,712)	—	(154,786)	(73)	—	—	—	(157,571)
Written-off	(359)	—	—	(88)	(591)	(17)	—	(1,055)
Exchange realignment	(13)	(2)	(1,870)	—	(8)	—	—	(1,893)
At 31 December 2014	74	888	310,712	847	2,199	306	—	315,026
Carrying amount								
At 31 December 2014	**363**	**4,155**	**4,882**	**1,009**	**2,416**	**1,072**	**12,512**	**26,409**
At 31 December 2013	1,813	4,416	50,299	600	2,994	89	17,443	77,654

18. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Included in the carrying value of medical equipment as at 31 December 2014 were jointly-operated assets of HK$Nil (2013: HK$21,934,000). Details of the financial information of the jointly-operated assets are set out in Note 27.

During the year ended 31 December 2013, as a result of the termination of leasing and service of medical equipment in certain medical centre and the recent implementation of the new PRC's health care reform policies which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the medical equipment. These assets are used in the Group's medical network business line under the healthcare and well-being business segment. The review led to the recognition of an impairment loss of HK$96,136,000, which was recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The details of review are set out as follows:

The basis of the recoverable amount and the major underlying assumptions of the cash-generating unit ("CGU") of the Group's medical network business segment are summarised below:

Healthcare and well being business — Medical network business line

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 23.51% (2013: 25.48%) per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted leasing and service income and gross margin, such estimation is based on the CGU's past performance and management's expectation for the market development.

18. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Company					
Cost					
At 1 January 2013	518	370	677	312	1,877
Additions	—	—	—	3	3
At 31 December 2013 and 1 January 2014	518	370	677	315	1,880
Additions	151	75	—	1,025	1,251
Disposals	—	(85)	—	—	(85)
Written-off	(518)	(102)	(677)	(17)	(1,314)
At 31 December 2014	151	258	—	1,323	1,732
Accumulated depreciation					
At 1 January 2013	223	221	366	157	967
Provided for the year	103	41	169	70	383
At 31 December 2013 and 1 January 2014	326	262	535	227	1,350
Provided for the year	90	38	56	93	277
Eliminated on disposals of assets	—	(73)	—	—	(73)
Written-off	(359)	(88)	(591)	(17)	(1,055)
At 31 December 2014	57	139	—	303	499
Carrying amount					
At 31 December 2014	**94**	**119**	**—**	**1,020**	**1,233**
At 31 December 2013	192	108	142	88	530

19. LAND USE RIGHT

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount		
At 1 January	**3,993**	3,970
Exchange realignment	**(18)**	110
Amortisation of land use right (Note 12)	**(88)**	(87)
At 31 December	**3,887**	3,993
Analysed for reporting purpose as:		
Non-current assets	**3,799**	3,904
Current assets	**88**	89
	3,887	3,993

The land use right is situated outside Hong Kong and is held under a medium term lease.

20. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Completed investment properties	**44,850**	—
At fair value		
Completed investment properties		
Balance at 1 January	**—**	—
Additions	**41,315**	—
Gain on property revaluation	**3,535**	—
Balance at 31 December	**44,850**	—
Unrealised gain arising from change in fair value of investment properties included in statement of profit or loss and other comprehensive income (included in other gains and losses) (Note 9)	**3,535**	—

20. INVESTMENT PROPERTIES — CONTINUED

The Group's property interests held for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties have been pledged to secure general banking facilities granted to the Group (Note 37).

The carrying amounts of investment properties shown above comprises:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Land in Hong Kong		
Long term lease	**44,850**	—

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group.

Peak Vision Appraisals Limited is member of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 2	**Fair values as at 31/12/2014**
	HK$'000	***HK$'000***
Residential units located in Hong Kong	**42,900**	**42,900**
Car parking spaces located in Hong Kong	**1,950**	**1,950**
Total	**44,850**	**44,850**

For the residential units and car parking spaces located in Hong Kong the fair value was derived using direct comparison method assuming each of the properties is capable of being sold in the existing state and by making reference to comparable sales evidence as available in the relevant markets.

21. GOODWILL

	HK$'000
Cost	
At 1 January 2013, 31 December 2013 and 1 January 2014	661,428
Additional amounts recognised from acquisition of subsidiaries during the year (Note 46(c))	5,043
At 31 December 2014	666,471
Accumulated impairment losses	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	661,428
Carrying amount	
At 31 December 2014	**5,043**
At 31 December 2013	—

Goodwill has been allocated for impairment testing purposes to the following groups of CGUs:

- Healthcare and well being business — Medical network business line
- Healthcare and well being business — Optical business line

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of CGUs units as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Healthcare and well being business		
— Medical network business line	**661,428**	661,428
— Optical business line	**5,043**	—
	666,471	661,428

21. GOODWILL — CONTINUED

Healthcare and well being business — Medical network business line

The carrying amount of goodwill was fully impaired during the year ended 31 December 2010.

Healthcare and well being business — Optical business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.98% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the optical market.

The key assumptions used in the value in use calculations are as follows:

Budgeted sales	Average sales in the period immediately before the budget period, plus a growth of 7–10% of sales per year. The values assigned to the assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. Management believes that the budgeted sales per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements.

22. OTHER INTANGIBLE ASSETS

	The Group
	HK$'000
Cost	
At 1 January 2013	312,138
Exchange realignment	7,446
At 31 December 2013 and 1 January 2014	319,584
Disposals	(31,116)
Exchange realignment	(1,082)
At 31 December 2014	287,386
Accumulated amortisation and impairment	
At 1 January 2013	227,601
Provided for the year (Note 12)	8,930
Impairment loss recognised (Note 12)	67,389
Exchange realignment	5,329
At 31 December 2013 and 1 January 2014	309,249
Provided for the year (Note 12)	1,542
Disposals	(27,791)
Exchange realignment	(1,036)
At 31 December 2014	281,964
Carrying amount	
At 31 December 2014	**5,422**
At 31 December 2013	10,335

Other intangible assets represented the lease contracts and service contracts entitle the Group to receive leasing and service income by leasing the radiosurgery and related medical equipment to medical centres and provision of services on the operations of gamma knife machines and related medical equipment.

The above other intangible assets have a finite life and are amortised on a straight-line basis over the remaining useful lives of 4 years as at 31 December 2014 (2013: 5 to 21 years).

At 31 December 2014 and 2013, the relevant licences were obtained for all of those medical equipment which underlie the Group's other intangible assets.

22. OTHER INTANGIBLE ASSETS — CONTINUED

During the year ended 31 December 2013, as a result of the termination of leasing and service of medical equipment in certain medical centre and the recent implementation of the new PRC's health care reform policies which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the contract based other intangible assets related to underlying medical equipment. An impairment loss of HK$67,389,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 25.48% per annum.

The basis of the recoverable amount and the major underlying assumptions of the CGU of the Group's medical network business segment are summarised below:

CGU of medical network business line

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 23.51% (2013: 25.48%) per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted leasing and service income and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**919,360**	915,958
Less: impairment losses	**(916,959)**	(915,957)
	2,401	1
Amounts due from subsidiaries	**381,611**	399,792
Less: impairment losses	**(98,243)**	(96,436)
	283,368	303,356

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, all of the amounts in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Details of principal subsidiaries are set out in Note 53.

23. INTERESTS IN SUBSIDIARIES — CONTINUED

An accumulated allowance of impairment for investment costs and amounts due from subsidiaries of HK$916,959,000 (2013: HK$915,957,000) and HK$98,243,000 (2013: HK$96,436,000) respectively was provided as at 31 December 2014 because the related recoverable amounts of the investment costs and the amounts due from subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs and amounts due therefrom are reduced to their recoverable amounts.

24. INTERESTS IN ASSOCIATES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Cost of investments in associates	**70,798**	70,798
Share of post-acquisition (losses)/profits and other comprehensive income	**(479)**	1,632
Disposal during the year	**(70,319)**	—
	—	72,430

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Cost of investments in associates	**70,798**	70,798
Disposal during the year	**(70,798)**	—
	—	70,798

Details of each of the Group's and the Company's material associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation/ operations	Particulars of issued and paid up share capital	Proportion of ownership interest: Group's effective interest %		Held by the Company %		Held by a subsidiary %		Principal activities
			2014	2013	**2014**	2013	**2014**	2013	
Redsun Developments Limited	The British Virgin Islands	100 ordinary shares of US$1 each	**—**	38	**—**	38	**—**	—	Investment holding
Tech Champion Technology Limited	Hong Kong	1 ordinary share of HK$1 each	**—**	38	**—**	38	**—**	—	Investment holding
Gwong Dong Ming Dak Mou Geoi Sou Liu Limited*	The PRC	HK$65,000,000	**—**	38	**—**	38	**—**	—	Production of household products

* For identification purpose only.

24. INTERESTS IN ASSOCIATES — CONTINUED

Notes:

(a) On 21 June 2013, the Company entered into a sale and purchase agreement in relation to the acquisition of 38% of the issued share capital of Redsun Developments Limited ("Redsun") and its subsidiaries ("Redsun Group") at a consideration of HK$75,240,000. The consideration was satisfied in cash of HK$15,000,000 and issuance of promissory note with the principal amount of HK$60,240,000. The amount of goodwill arising as a result of the acquisition was approximately HK$63,108,000. The completion of the acquisition was on 21 August 2013. At the completion date of the acquisition, the fair value of the consideration was approximately HK$70,798,000, comprising cash of HK$15,000,000 and the fair value of the promissory note of approximately HK$55,798,000. For more details, please refer to the Company's announcement dated 21 June 2013.

(b) During the year ended 31 December 2013, the Group assessed the recoverable amount of the associate and determined no impairment on interest in associates was necessary. The recoverable amount of the associate was assessed by reference to value in use. A discount factor of 14.71% per annum was applied in the value in use model.

The recoverable amount of the associate is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.71% per annum. Cash flow projections during the budget period are based on the same expected gross margins and the same raw material price inflation rate during the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long term average growth rate for the market in which the associate operate. Management believes that a 3% per annum growth rate is reasonable.

The key assumptions used in the value in use calculations are as follows:

(i) Budgeted sales

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the production of plastic moulds and plastic products. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) Budgeted gross margin

Average gross margins achieved in the period immediately before the budget period is expected to be steady over the budget period. Although the management expects the operating cost is fluctuates, it considers that the Group would adjust the selling price correspondingly in order to maintain its gross margin. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

(c) On 27 November 2014, the Company entered into a sale and purchase agreement in relation to the disposal of 38% of the issued share capital of the Redsun Group at a consideration of HK$9,500,000. The disposal was completed on 27 November 2014. Loss arising on disposal of associates was amounted to HK$60,960,000, which was calculated as follows:

	HK$'000
Sales proceeds	9,500
Less: Carrying amount of 38% investment on the date of loss of significant influence	(70,319)
Less: Reclassification of exchange translation reserve upon disposal	(141)
Loss recognised in consolidated statement of profit or loss and other comprehensive income	60,960

24. INTERESTS IN ASSOCIATES — CONTINUED

Summarised financial information in respect of Redsun Group is set out as below:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Total assets	—	320,565
Total liabilities	—	(296,033)
Net assets	—	24,532
Group's share of net assets of associates	—	9,322
Revenue for the period	**32,486**	4,357
(Loss)/profit for the period	**(5,187)**	4,295
Group's share of (loss)/profit of associates for the period	**(1,971)**	1,632

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Net assets of the associates	—	24,532
Proportion of the Group's ownership interest	—	38%
Share of net assets of associates	—	9,322
Goodwill	—	63,108
	—	72,430

25. JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Cost of investments in joint ventures		
Unlisted	**476**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(476)**	—
	—	—

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Classes of share held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Golden Times Management Limited (Note)	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%	50%	Investment holding

Note:

As at 31 December 2014, Golden Times Management Limited held 100% effective interests in Bright Choice Investments Limited ("Bright Choice"). Bright Choice is a company incorporated in Hong Kong with limited liability. The principal activity of Bright Choice is property investment.

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

25. JOINT VENTURES — CONTINUED

Summarised financial information of material joint ventures: — continued

Golden Times Management Limited and its subsidiary

	2014 HK$'000	2013 HK$'000
Current assets	31	—
Non-current assets	127,000	—
Current liabilities	(134,312)	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	31	—
Current financial liabilities (excluding trade and other payables and provisions)	(111,000)	—

	2014 HK$'000
Revenue	—
Loss and total comprehensive loss for the period	(951)
Dividends received	—
The above loss for the year mainly include the following:	
Interest expense	931
Group's share of loss of joint venture for the period	(476)

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Available-for-sale financial assets comprise:		
Listed investments — Equity securities listed in Hong Kong (Note (a))	**34,806**	—
Unlisted investments, at cost (Notes (b) to (d))	**264,602**	76,147
	299,408	76,147
Analysed for reporting purposes as:		
Current assets	**34,806**	—
Non-current assets	**264,602**	76,147
	299,408	76,147

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS — CONTINUED

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Available-for-sale financial assets comprise:		
Listed investments — Equity securities listed in Hong Kong (Note (a))	**820**	—
Analysed for reporting purposes as:		
Current assets	**820**	—

Notes:

(a) The balance represented the investment cost of listed securities (mainly comprising listed securities of 468,698,967 shares of China Asean Resources Limited, a company listed on the Growth Enterprise Market of the Stock Exchange) which were part of the assets of those companies acquired by the Group as distressed assets during 2014 under the investment and asset management business of the Group.

During the year ended 31 December 2014, the Company acquired equity securities listed on the Growth Enterprise Market of the Stock Exchange totaling approximately HK$820,000.

(b) For the year ended 31 December 2013, Anping Medical Treatment Technology (Wuhu) Co., Limited ("Anping Technology"), a wholly-owned subsidiary of the Company entered into an investment agreement with an independent third party and pursuant to which Anping Technology will invest RMB60 million and have an effective interest of approximately 11.25% in the medical project in which Anping Technology will be responsible for the management on the application of radiotherapy medical equipment.

(c) On 24 February 2014, Anping Technology entered into a co-operation agreement with two independent third parties pursuant to which Anping Technology and two independent third parties will invest up to RMB500 million in aggregate for the purpose of constructing, establishing and the subsequent business operation of a tumour-specialised hospital located in Anhui Province, the PRC. Based on the co-operation agreement, Anping Technology will invest up to RMB90 million in cash. As at 31 December 2014, Anping Technology's investments was amounted to approximately RMB74,380,000.

(d) On 31 December 2014, Anping Technology and an independent third partly (the "Investment Partner") entered into an investment agreement and pursuant to which Anping Technology will invest RMB75 million and have an effective interest of approximately 12.5% in the health and elderly care project in which Anping Technology will participate in the project management and provide management services particularly in the operations of the medical facilities and club house facilities under the health and elderly care project.

The available-for-sale financial assets are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. No impairment was recognised during the years ended 31 December 2014 and 2013.

27. JOINTLY-OPERATED ASSETS

As at 31 December 2013, the Group entered into certain arrangements with third parties to acquire/retain interests of ranging from 40% to 70% in certain medical equipment. During the year ended 31 December 2014, the Group had disposed all of the jointly-operated assets.

The aggregate amounts of assets and liabilities recognised in the consolidated financial statements in relation to interests in jointly-operated assets are as follows.

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Non-current assets (Note 18)	**—**	21,934
Income	**48,036**	30,178
Expenses (Note 12)	**155**	2,211

28. LONG-TERM PREPAYMENTS AND DEPOSITS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Deposit paid for acquisition of available-for-sale financial assets	**18,956**	—
Deposit paid for acquisition of property, plant and equipment	**87,198**	52,478
Prepaid interest of bonds payable	**2,944**	—
	109,098	52,478

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Prepaid interest of bonds payable	**2,944**	—

29. INVENTORIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Finished goods	**6,222**	—

30. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**41,593**	52,308	**—**	—
Other receivables, prepayments and deposits	**133,498**	260,419	**10,338**	693
	175,091	312,727	**10,338**	693

The Group generally allows an average credit period of 180 days (2013: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0–180 days (neither past due nor impaired)	**24,838**	52,308
181–270 days (1 to 3 months past due)	**9,212**	—
271–365 days (3 to 6 months past due)	**7,543**	—
	41,593	52,308

Before accepting any new customer, the Group assesses the potential customer's quality and defines credit limit by customer.

At 31 December 2014, trade receivables of HK$24,838,000 (2013: HK$52,308,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. The Group does not hold any collateral over these balances.

30. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — CONTINUED

Age of receivables that are past due but not impaired

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
1–90 days	**9,212**	—
91–180 days	**7,543**	—
Total	**16,755**	—

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

As at 31 December 2013, included in other receivables, prepayments and deposits of approximately HK$130,503,000 were refundable deposits paid to a number of investment consulting companies and such amount was subsequently invested in the medical project as described in note 26 to the consolidated financial statements.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and the Company	
	2014	2013
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong	**38,033**	—

The fair values of the listed investments are determined by reference to the quoted market bid prices available on the Stock Exchange of Hong Kong Limited.

32. AMOUNTS DUE FROM A JOINT VENTURE

The Group and the Company

The amounts due from a joint venture are unsecured, interest-free and recoverable on demand. During the year ended 31 December 2014, the highest balance of amounts due from a joint venture is HK$12,433,000 (2013: Nil)

33. CASH AND BANK BALANCES

The Group's bank balances of HK$178,005,000 (2013: HK$83,693,000) carried variable-rate interest at 0.001%–2.60% per annum (2013: 0.001% to 3.00% per annum).

The Company's bank balances of HK$122,926,000 (2013: HK$93,000) carried variable-rate interest at 0.001% per annum (2013: 0.001% per annum).

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to HK$49,976,000 (2013: HK$83,673,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

34. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**5,189**	—	**—**	—
Provision for clawback of fund performance fee (note (a))	**8,915**	8,915	**—**	—
Provision for long service payment	**537**	—	**—**	—
Purchase consideration payable (note (b))	**—**	57,115	**—**	57,115
Amounts due to former directors of a subsidiary (note (c))	**2,257**	—	**—**	—
Other payables and accruals	**28,197**	23,008	**20,781**	14,669
	45,095	89,038	**20,781**	71,784

The following is an analysis of trade payables by age based on invoice date.

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**3,027**	—
31–60 days	**674**	—
61–90 days	**413**	—
Over 90 days	**1,075**	—
	5,189	—

34. TRADE AND OTHER PAYABLES — CONTINUED

Notes:

(a) It represented a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of HK$8,915,000 (2013: HK$8,915,000) in prior years, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to the clawback provision, in which the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in 2007. The fund was terminated in 2007 and the directors of the Company considered that no further provision was required as at 31 December 2014 and 2013.

(b) It represented the carrying amount of the promissory note with principal amount of HK$60,240,000 as at 31 December 2013, being the purchase consideration payable in relation to the acquisition of an associate which was issued subsequent to the year end date to Mr. Chan Ka Chung, a director of the Company. The promissory note was issued in February 2014.

(c) Included in amounts due to former directors of a subsidiary amounted to approximately HK$607,000 were unsecured, interest bearing at 10% per annum and repayable in one year. The remaining amounts were unsecured, interest-free and repayable on demand.

35. AMOUNTS DUE TO DIRECTORS

The Group and the Company

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

36. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The Group

The amounts due to non-controlling shareholders of a subsidiary were unsecured, interest-free and repayable on demand.

37. BORROWINGS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans (Note (a))	**1,500**	—	**—**	—
Loans from financial institutions (Note (b))	**109,000**	—	**52,000**	—
Loan from a former intermediate holding Company (Note (c))	**9,765**	11,144	**9,765**	11,144
Loan from a former fellow subsidiary (Note (d))	**58,203**	66,420	**58,203**	66,420
	178,468	77,564	**119,968**	77,564
Secured	**53,228**	—	**—**	—
Unsecured	**125,240**	77,564	**119,968**	77,564
	178,468	77,564	**119,968**	77,564

Carrying amount repayable:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**109,704**	77,564	**52,000**	77,564
More than one year, but not exceeding two years	**519**	—	**—**	—
More than two years, but not exceeding five years	**277**	—	**—**	—
More than five years	**67,968**	—	**67,968**	—
	178,468	77,564	**119,968**	77,564
Less: Amounts shown under current liabilities	**(109,704)**	(77,564)	**(52,000)**	(77,564)
	68,764	—	**67,968**	—

37. BORROWINGS — CONTINUED

Notes:

(a) Bank loans of approximately HK$228,000 were secured by personal guarantee given by the former directors of a subsidiary. Bank loans bear interest of 1.5% per annum over prime rate and 0.38% flat per month respectively.

(b) Loans from financial institutions of approximately HK$21,000,000 were secured by personal guarantee given by Chan Ka Chung, a director of the Company. Approximately HK$32,000,000 were secured by investment properties held by the Group and unlimited personal guarantee of Mr. Chan Ka Chung, Mr. Chan Heng Zhong, Ms. Chor Yin Yung and Ms. Yu Xiao Min respectively. Loans from other entities bear interest from 8% to 12% per annum.

(c) The amount represents a loan from a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. As at 31 December 2013, the amount was subordinated to the guaranteed convertible notes issued in August 2002 (Note 38). Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

(d) The amount represents a loan from a former fellow subsidiary of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. As at 31 December 2013, the amount was subordinated to the guaranteed convertible notes issued in August 2002 (Note 38). Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

38. GUARANTEED CONVERTIBLE NOTE

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount of liability component of guaranteed convertible note issued/extended on:		
— 28 August 2008 ("2011 5% Note") (Note (a))	**—**	1,000
Less: Amounts due within one year shown under current liabilities	**—**	(1,000)
Amounts due after one year shown under non-current liabilities	**—**	—

The guaranteed convertible note were issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company, and entitled the holders to convert into ordinary shares of the Company, subject to the terms of respective guaranteed convertible note.

The fair values of the liability component and the equity component were determined at issuance/extension of the guaranteed convertible note. The effective interest rate is 6.32% per annum for the 2011 5% Notes.

The guaranteed convertible note contain two components, liability and equity.

38. GUARANTEED CONVERTIBLE NOTE — CONTINUED

The movements of the liability component of the guaranteed convertible notes for the prior and current years are set out below:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	**1,000**	1,000
Repayment during the year	**(1,000)**	—
Carrying amount at the end of the year	**—**	1,000

Note:

On 28 August 2002, SIIS Treasury Limited issued HK$156,400,000 5% guaranteed convertible note originally due in August 2005 and finally extended to 29 August 2011 which is unconditionally and irrevocably guaranteed by the Company. According to the guaranteed convertible note agreement, the holder could not exercise conversion to shares of the Company after the maturity date. As at 31 December 2013, the outstanding principal amount of the guaranteed convertible note was HK$1,000,000. During the year ended 31 December 2014, the Company had repaid the guaranteed convertible note.

39. CONVERTIBLE BONDS/NOTES

The Group and the Company

	Convertible notes 1	**Convertible notes 2**	**Convertible bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component				
At 1 January 2013, 31 December 2013 and 1 January 2014	—	—	—	—
Issue of convertible notes/convertible bonds	7,678	1,916	43,203	52,797
Redemption of convertible notes	(5,793)	(1,924)	—	(7,717)
Interest charged	258	42	602	902
Interest paid	(206)	(34)	(578)	(818)
At 31 December 2014	**1,937**	**—**	**43,227**	**45,164**
Classified as:				
Current liabilities	—	—	43,227	43,227
Non-current liabilities	1,937	—	—	1,937
	1,937	—	43,227	45,164

39. CONVERTIBLE BONDS/NOTES — CONTINUED

The Group and the Company — continued

(a) Convertible notes 1 — HK$8,000,000 5% convertible notes due 2017

On 6 May 2014, the Company issued convertible notes with the aggregate principal amount of HK$8,000,000 which bears an interest rate of 5% per annum. The convertible notes entitle the holder to convert to ordinary shares at a conversion price of HK$0.04 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 6 May 2014 to the third anniversary of the date of issue of the convertible notes, i.e. 6 May 2017 (the maturity date). Pursuant to the share consolidation effective on 12 June 2014, the conversion price was adjusted to HK$0.8 per ordinary share. Pursuant to the rights issue completed in October 2014, the conversion price was further adjusted to HK$0.66 per ordinary share.

Conversion may occur at any time from the date of issue of convertible notes and up to the date falling 30 business days before the maturity date. If the convertible notes have not been converted, they will be redeemed on the maturity date at HK$8,000,000. Interest of 5% will be paid semi-annually based on the outstanding amount of the convertible notes.

The convertible notes contain two components: liability and equity components. The equity element is presented in the heading "equity component of convertible notes". The effective interest rate of the liability component on initial recognition is 6.49% per annum.

	HK$'000
Proceeds of issue	8,000
Liability component at date of issue	(7,678)
Equity component	322
Liability component at date of issue	7,678
Redemption	(5,793)
Interest charged calculated at an effective interest rate of 6.49%	258
Interest paid	(206)
Liability component at 31 December 2014	1,937

During the year ended 31 December 2014, the convertible note with the principal amount of HK$6,000,000 had been redeemed by the Company.

39. CONVERTIBLE BONDS/NOTES — CONTINUED

The Group and the Company — continued

(b) Convertible notes 2 — HK$2,000,000 5% convertible notes due 2017

On 3 July 2014, the Company issued convertible notes with the aggregate principal amount of HK$2,000,000 which bear an interest rate of 5% per annum. The convertible notes entitle the holder to convert to ordinary shares at a conversion price of HK$0.80 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 3 July 2014 to the third anniversary of the date of issue of the convertible notes, i.e. 3 July 2017 (the maturity date). Pursuant to the rights issue completed in October 2014, the conversion price was adjusted to HK$0.66 per ordinary share.

Conversion may occur at any time from the date of issue of convertible notes and up to the date falling 30 business days before the maturity date. If the convertible notes have not been converted, they will be redeemed on the maturely date at HK$2,000,000. Interest of 5% will be paid semi-annually based on the outstanding amount of the convertible notes.

The convertible notes contain two components: liability and equity components. The equity element is presented in the heading "equity component of convertible notes". The effective interest rate of the liability component on initial recognition is 6.56% per annum.

	HK$'000
Proceeds of issue	2,000
Liability component at date of issue	(1,916)
Equity component	84
Liability component at date of issue	1,916
Redemption	(1,924)
Interest charged calculated at an effective interest rate of 6.56%	42
Interest paid	(34)
Liability component at 31 December 2014	—

During the year ended 31 December 2014, the entire convertible note had been redeemed by the Company.

39. CONVERTIBLE BONDS/NOTES — CONTINUED

The Group and the Company — continued

(c) Convertible bonds — HK$43,344,360 8% convertible notes due 2015

On 31 October 2014, the Company issued convertible bonds with the aggregate principal amount of HK$43,344,360 which bear an interest rate of 8% per annum. The convertible bonds entitle the holder to convert to ordinary shares at a conversion price of HK$0.32 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible bonds, at any time from 31 October 2014 to the first anniversary of the issue of the convertible bonds, i.e. 31 October 2015 (the maturity date).

Conversion may occur at any time after the date falling three calendar months after the date of issue of the convertible bonds until the date seven days before the maturity date. If the convertible bonds have not been converted, they will be redeemed on the maturity date at HK$43,344,360. Interest of 8% will be paid quarterly based on the outstanding amount of the convertible bonds.

The convertible bonds contain two components: liability and equity components. The equity element is presented in equity heading "equity component of convertible bonds/notes". The effective interest rate of the liability component on initial recognition is 8.34% per annum.

	HK$'000
Proceeds of issue	43,344
Liability component at date of issue	(43,203)
Equity component	141
Liability component at date of issue	43,203
Interest charged calculated at an effective interest rate of 8.34%	602
Interest payable	(578)
Liability component at 31 December 2014	43,227

40. BONDS PAYABLE

The Group and the Company

	Bond 1	**Bond 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013, 31 December 2013 and 1 January 2014	—	—	—
Issue of bonds	10,000	10,000	20,000
Interest charged	359	57	416
Interest paid	(342)	(56)	(398)
At 31 December 2014	**10,017**	**10,001**	**20,018**

(a) Bond 1 — HK$10,000,000 6% bond due 2017

On 6 June 2014, the Company issued HK$10,000,000 6% bond ("6% Bond") in the aggregate principal amount of HK$10,000,000.

The 6% Bond will be matured on 6 June 2017. Interest of 6% will be paid quarterly up until the 6% Bond is matured.

The effective interest rate of the 6% Bond on initial recognition is 6.37% per annum.

	HK$'000
At date of issue	10,000
Interest charged calculated at an effective interest rate of 6.37%	359
Interest payable	(342)
At 31 December 2014	10,017

(b) Bond 2 — HK$10,000,000 5% bond due 2021

On 20 November 2014, the Company issued HK$10,000,000 5% bond ("5% Bond") in the aggregate principal amount of HK$10,000,000.

The 5% Bond will be matured on 20 November 2021. Interest of 5% per annum is payable in lump sum within 7 days after the issue date.

40. BONDS PAYABLE — CONTINUED

The Group and the Company — continued

(b) Bond 2 — HK$10,000,000 5% bond due 2021 — continued

The effective interest rate of the 5% Bond on initial recognition is 7.95% per annum.

	HK$'000
At date of issue	10,000
Interest charged calculated at an effective interest rate of 7.95%	57
Interest paid	(56)
At 31 December 2014	10,001

41. PROMISSORY NOTE

The Group and the Company

On 27 February 2014, the Company issued the promissory note in the aggregate principal amount of HK$60,240,000 which matures in February 2017 and bears interest rate of 5% per annum as part of consideration for acquiring 38% equity interests of Redsun.

	HK$'000
At 27 February 2014 (date of issue)	57,709
Redemption	(48,392)
Interest charged calculated at an effective interest rate of 6.55% (note 10)	2,931
Interest payable	(2,326)
At the end of the year	9,922

41. PROMISSORY NOTE — CONTINUED

The Group and the Company — continued

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument at the issue date. The fair value of the liability component of the promissory note at the issue date amounted to approximately HK$57,716,000. The fair value is calculated using discounted cash flow method at a rate of 6.12%.

During the year ended 31 December 2014, the promissory note with the principal amount of HK$50,000,000 had been repaid by the Company.

In February 2015, the promissory note with the principal amount of HK$10,240,000 has been subsequently repaid by the Company.

42. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the prior and current years:

The Group

	Fair value adjustment of other intangible assets *HK$'000*	**Convertible notes** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	5,647	—	5,647
Exchange realignment	147	—	147
Credited to consolidated statement of profit or loss and other comprehensive income:			
— released upon amortisation of other intangible assets	(394)	—	(394)
— released upon impairment of underlying other intangible assets	(4,867)	—	(4,867)
At 31 December 2013 and 1 January 2014	533	—	533
Exchange realignment	(3)	—	(3)
Recognised directly in equity	—	90	90
Released on redemption of convertible notes		(46)	(46)
Credited to consolidated statement profit or loss and other comprehensive income (Note 11)	(530)	(14)	(544)
At 31 December 2014	**—**	**30**	**30**

42. DEFERRED TAX LIABILITIES — CONTINUED

The Company

	Convertible notes HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	—
Recognised directly in equity	90
Released on redemption of convertible notes	(46)
Credited to profit or loss	(14)
At 31 December 2014	**30**

At the end of reporting period, the Group had unused tax losses of HK$361,360,000 (2013: HK$314,063,000) available for offset against the future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

There was no other significant unrecognised temporary difference as at 31 December 2014 and 2013.

43. SHARE CAPITAL

The Group and the Company

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2013	13,545,113	1,354,511
Transfer from share premium (Note (a))	—	981,851
Transfer from capital redemption reserve (Note (a))	—	1,899
Effect of share consolidation (Note (b))	(12,867,858)	—
Issue of shares pursuant to exercise of unlisted warrants (Note (c))	67,500	29,879
Issue of shares pursuant to rights issue (Note (d))	372,378	96,088
At 31 December 2014	**1,117,133**	**2,464,228**

43. SHARE CAPITAL — CONTINUED

Notes:

(a) Under the Hong Kong Companies Ordinance (Cap. 622), which came into force on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with the said Ordinance, the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

(b) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 June 2014, every 20 ordinary shares of the Company were consolidated into 1 share of the Company.

(c) On 29 August 2014, the Company received the subscription form for exercise of all of the subscription rights under the Tranche One Warrants. The Company has received payment of HK$29.7 million and allotted and issued a total of 67,500,000 warrant shares at the exercise price of HK$0.44 per warrant share on 1 September 2014. The warrant shares ranked pari passu with all existing shares as at the date of allotment and among themselves in all respects and will represent 9.1% of the issued share capital of the Company as enlarged by the allotment and issue of the 67,500,000 warrant shares.

(d) Pursuant to the rights issue on the basis of one rights share for every two shares held on the record date, 372,377,813 new shares were issued in October 2014 at HK$0.27 per share. The net proceeds of approximately HK$96,000,000 was intended to use for financing the Group's future investments identified and/or to be identified and for general working capital purpose.

44. RESERVES OF THE COMPANY

	Share premium	Capital redemption reserve	Share option reserve	Equity component of convertible bonds/notes	Warrant reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))	(Note (i))	(Note (ii))	(Note (iv))			
At 1 January 2013	981,851	1,899	35,415	—	—	(2,211,515)	(1,192,350)
Profit and total comprehensive income for the year	—	—	—	—	—	35,114	35,114
At 31 December 2013 and 1 January 2014	981,851	1,899	35,415	—	—	(2,176,401)	(1,157,236)
Loss and total comprehensive loss for the year	—	—	—	—	—	(99,973)	(99,973)
Transfer from share premium and capital redemption reserve to share capital upon abolition of par value	(981,851)	(1,899)	—	—	—	—	(983,750)
Issue of unlisted warrants	—	—	—	—	540	—	540
Expenses in relation to issue of unlisted warrants	—	—	—	—	(182)	—	(182)
Issue of convertible bonds/notes	—	—	—	547	—	—	547
Deferred tax liability arising on issue of convertible bonds/notes	—	—	—	(90)	—	—	(90)
Redemption of convertible notes	—	—	—	(272)	—	59	(213)
Issue of shares pursuant to exercise of unlisted warrants	—	—	—	—	(179)	—	(179)
Recognition of share-based payments	—	—	10,109	—	—	—	10,109
At 31 December 2014	**—**	**—**	**45,524**	**185**	**179**	**(2,276,315)**	**(2,230,427)**

44. RESERVES OF THE COMPANY — CONTINUED

Notes:

(i) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (Note 43). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the accounting policy in Note 3(t).

(iii) Exchange translation reserve of the Group

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(n).

(iv) Equity components of convertible bonds/notes

Equity components of convertible bonds/notes have been set up and will be dealt with in accordance with the Group's accounting policies in note 3(r).

(v) Other reserve of the Group

This reserve represents the changes in the Group's ownership interests in its subsidiaries that do not result in loss of control.

(vi) Distributable reserves

As at 31 December 2014, the Company had no reserves available for distribution under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622) (2013: Nil).

45. SHARE-BASED PAYMENTS

2001 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 30 October 2001 ("2001 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, was expired in 2011. Under the 2001 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2014, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2001 Share Option Scheme was 30,158,214 (2013: 559,084,000 (unadjusted)), representing 2.7% (2013: 4.1%) of the shares of the Company in issue as at 31 December 2014. The total number of shares in respect of which options may be granted under the 2001 Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. 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. An option may be exercised in accordance with terms of the 2001 Share Option Scheme at any time during a period to be notified by the Board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

The exercise price is determined by the directors, and will not be less than the higher of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and (iii) the nominal value of the Company's shares.

The options outstanding at 31 December 2014 had the adjusted weighted average exercise price of HK$2.49 (2013: unadjusted weighted average exercise price of HK$0.142) and weighted average remaining contractual life of 2.7 years (2013: 3.3 years).

45. SHARE-BASED PAYMENTS — CONTINUED

2001 Share Option Scheme — continued

The following tables disclose movements of the Company's share options under the 2001 Share Option Scheme during the year ended 31 December 2014 and 2013:

2014

Grantee	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share HK$ (Note 1)	At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year (Note 2)	At 31 December 2014
					Number of share options					
Former employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	1,000,000	—	—	—	(941,605)	**58,395**
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	2.23	139,332,000	—	—	—	(131,195,708)	**8,136,292**
					140,332,000	—	—	—	(132,137,313)	**8,194,687**
Consultants/advisors	24-05-2004	N/A (Note 3)	24-05-2004 to 23-05-2014	0.10	42,632,000	—	—	(42,632,000)	—	**—**
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	1.71	98,914,000	—	—	—	(93,137,917)	**5,776,083**
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	50,300,000	—	—	—	(47,362,732)	**2,937,268**
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	3.46	100,000,000	—	—	—	(94,160,500)	**5,839,500**
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	2.23	126,906,000	—	—	—	(119,495,324)	**7,410,676**
					418,752,000	—	—	(42,632,000)	(354,156,473)	**21,963,527**
				TOTAL:	559,084,000	—	—	(42,632,000)	(486,293,786)	**30,158,214**
Exercisable at the end of the year										**30,158,214**
Weighted average exercise price (HK$)					0.142	—	—	0.100	—	**2.49**

45. SHARE-BASED PAYMENTS — CONTINUED

2001 Share Option Scheme — continued

2013

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options: At 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013
Former employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	1,000,000	—	—	—	1,000,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	139,332,000	—	—	—	139,332,000
					140,332,000	—	—	—	140,332,000
Consultants/advisors	03-11-2003	03-11-2003 to 03-11-2005	03-11-2003 to 02-11-2013	0.100	52,632,000	—	—	(52,632,000)	—
	24-05-2004	N/A (Note 3)	24-05-2004 to 23-05-2014	0.100	42,632,000	—	—	—	42,632,000
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	0.100	98,914,000	—	—	—	98,914,000
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	50,300,000	—	—	—	50,300,000
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	0.202	100,000,000	—	—	—	100,000,000
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	0.130	126,906,000	—	—	—	126,906,000
					471,384,000	—	—	(52,632,000)	418,752,000
				TOTAL:	611,716,000	—	—	(52,632,000)	559,084,000
Exercisable at the end of the year									559,084,000
Weighted average exercise price (HK$)					0.138	—	—	0.100	0.142

Notes:

1. The exercise prices were adjusted pursuant to the share consolidation for 20 shares into 1 consolidated share and rights issue in 2014 except for the share options granted on 24 May 2004 and lapsed on 23 May 2014. For details, please refer to the Company's circular dated 13 May 2014 and the Company's announcement dated 9 October 2014 respectively.

2. The number of share options were adjusted by the share consolidation for 20 shares into 1 consolidated share of the Company and pursuant to the rights issue in 2014. For details, please refer to the Company's circular dated 13 May 2014 and Company's announcement dated 9 October 2014 respectively.

3. The share options granted were immediately vested at the date of granted or, for a grantee who is a director, at a later date in which the grantee become a director of the Company (as the case may be).

45. SHARE-BASED PAYMENTS — CONTINUED

2014 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 12 June 2014 ("2014 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, will expire in June 2024. Under the 2014 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2014, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2014 Share Option Scheme was 67,725,562 (2013: nil), representing 6.1% (2013: Nil) of the shares of the Company in issue as at 31 December 2014. The total number of shares in respect of which options may be granted under the 2014 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. 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 independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved by the Company's shareholders.

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 shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above.

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price	Fair value at grant date
		HK$	HK$
31-10-2014	31-10-2014 to 30-10-2016	0.34	0.1492

In accordance with the terms of the 2014 Share Option Scheme, options granted during the financial year ended 31 December 2014 vested at the date of grant.

The fair value of the share options is determined using the Black-Scholes Option Pricing Model with the expected volatility which is based on the historical share price volatility over the past 5 years.

45. SHARE-BASED PAYMENTS — CONTINUED

2014 Share Option Scheme — continued

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

Grant date share price	HK$0.34
Exercise price	HK$0.34
Expected volatility	82.01%
Option life	2 years
Dividend yield	0.00%
Risk-free interest rate	0.31%

The following table discloses movements of share options under the 2014 Share Option Scheme:

2014

				Number of share options					
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share** *HK$*	**At 1 January 2014**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**At 31 December 2014**
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	14,899,622	—	—	—	**14,899,622**
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	18,624,529	—	—	—	**18,624,529**
Consultants/advisors	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	34,201,411	—	—	—	**34,201,411**
				—	67,725,562	—	—	—	**67,725,562**
Exercisable at the end of the year									**67,725,562**
Weighted average exercise price (HK$)				—	0.34	—	—	—	**0.34**

The Group recognised total expenses of HK$10,109,000 (2013: Nil) related to equity-settled share-based payment transactions during the year.

46. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES

(a) On 17 October 2014, the Company acquired 100% issued share capital of Landmass Investments Limited ("Landmass") at a consideration of HK$887,000. Landmass is principally engaged in investment holding. The consideration of HK$887,000 was paid by cash.

The acquisition of Landmass did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Available-for-sale financial assets	33,600
Current liabilities	
Borrowings	(32,200)
Interest payable	(513)
Total consideration	887
Satisfied by:	
Cash	887
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	(887)
Less: Cash and cash equivalents acquired	—
	(887)

46. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES — CONTINUED

(b) On 26 November 2014, the Company acquired 100% issued share capital of Commerce Sea Global Investment Limited ("Commerce Sea") at a consideration of HK$2,400,000. Commerce Sea is principally engaged in investment holding. Its subsidiaries are principally engaged in property and securities investments. The consideration of HK$2,400,000 was paid by cash.

The acquisition of Commerce Sea did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Investment properties	41,315
Current asset	
Available-for-sale financial assets	385
Current liabilities	
Amount due to a director	(20,920)
Borrowings	(17,800)
Other payables	(580)
Total consideration	2,400
Satisfied by:	
Cash	2,400
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	(2,400)
Less: Cash and cash equivalents acquired	—
	(2,400)

46. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES — CONTINUED

(c) On 27 November 2014, the Company acquired 52% issued share capital of Hong Kong Optical Co., Limited ("Hong Kong Optical") at a consideration of HK$2,540,000. Hong Kong Optical is principally engaged in trading of optical products. The consideration of HK$2,540,000 was paid by cash.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	675
Current assets	
Inventories	5,824
Trade receivables	425
Other receivables, prepayment and deposits	4,309
Cash and bank balances	2,812
Current liabilities	
Trade and other payables	(12,512)
Borrowings	(1,094)
Loans from shareholders	(4,500)
Non-current liabilities	
Borrowings	(753)
Net liabilities	(4,814)
52% of net liabilities acquired	(2,503)
Goodwill arising on acquisition of a subsidiary	5,043
Total consideration	2,540
Satisfied by:	
Cash	2,540
Net cash inflow on acquisition of a subsidiary:	
Consideration paid by cash	(2,540)
Less: Cash and cash equivalents acquired	2,812
	272

46. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES — CONTINUED

(c) continued

The Group explores new business opportunities to broaden its source of income and expand the business in order to maximise the profit and return for the Group and the shareholders.

Goodwill arose in the acquisition of Hong Kong Optical because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and revenue growth of Hong Kong Optical. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year is HK$91,000 attributable to the Group from Hong Kong Optical. Revenue of approximately HK$2,390,000 was generated from Hong Kong Optical during the year after the acquisition.

Had the business combinations been effected from 1 January 2014, the revenue of the Group would have been HK$116,835,000, and the loss for the year would have been HK$43,326,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

47. DISPOSAL OF A SUBSIDIARY

On 24 February 2014, the Group disposed of its 62% equity interests in Wuhu Puwei Medical Investment Management Co., Limited ("Wuhu Puwei"). The Group transferred its equity interest in Wuhu Puwei not yet paid-up, which is amounted to approximately HK$38,062,000 as at disposal date to the purchaser of Wuhu Puwei as consideration of disposal.

Analysis of assets and liabilities over which control was lost

	HK$'000
Current assets	
Other receivables, prepayments and deposits	23,970
Amount due from an immediate holding company	40,025
Amount due from a non-controlling shareholder	5,664
Cash and bank balances	111
Net assets disposed of	69,770

47. DISPOSAL OF A SUBSIDIARY — CONTINUED

Gain on disposal of a subsidiary

	HK$'000
Consideration	38,062
Net assets disposed of	(69,770)
Non-controlling interests derecognised	31,677
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	1,335
Gain on disposal (Note 9)	1,304

Net cash outflow on disposal of a subsidiary

	HK$'000
Consideration received in cash and cash equivalents	—
Less: Cash and cash equivalent balances disposed of	(111)
	(111)

48. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2014	2013
	HK$'000	*HK$'000*
Premises	**3,186**	2,653
Servicing contracts for medical equipment	**7,295**	6,049
	10,481	8,702

48. OPERATING LEASE COMMITMENTS — CONTINUED

The Group as lessee — continued

At the end of reporting period, the Group had outstanding commitments payable under non-cancellable operating leases which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**6,512**	2,760
In the second to fifth years inclusive	**5,543**	661
	12,055	3,421

Operating lease payment represents rentals and servicing fee payable by the Group for its office premises and medical equipment respectively. Lease terms ranged from one to five years with fixed rental.

The Group as lessor

At the end of reporting period, the Group contracted with certain medical centres for the leasing of medical equipment (included in property, plant and equipment) with the majority of the lease period up to 31 December 2022 (2013: 31 December 2022). The leasing income to be received by the Group is based on specific percentages of the net income of the medical centres as stipulated in the respective contracts.

49. COMMITMENTS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Contracted for but not provided in respect of acquisition of property, plant and equipment	**—**	1,396

50. GUARANTEES

As further disclosed in Note 38, the due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

During the year ended 31 December 2014, the guarantees were released subsequent to the repayment of guaranteed convertible note by the Group.

51. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employee's basic monthly salary which is capped at HK$1,000 per month before June 2012 and HK$1,250 per month end and after June 2012. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also participates in the employee pension schemes of the respective municipal government in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

The total cost recognised in profit or loss of HK$1,064,000 (2013: HK$253,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. At the end of reporting period, no contribution due in respect of the reporting period had not been paid over to the schemes.

52. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2014 and 2013 the Group had entered into the following material related party transactions:

(a) In February 2014, the Company issued a promissory note with a principal amount of HK$60,240,000 to Green Zone Capital Limited ("Green Zone") for satisfying the consideration payable for acquisition of 38% of the issued share capital of Redsun Developments Limited. Mr. Chan Ka Chung ("Mr. Chan") is a beneficial owner of Green Zone. During the year ended 31 December 2014, the Company had repaid promissory note with a principal amount of HK$50,000,000 to Green Zone.

(b) On 10 March 2014, the Company issued a total of 2,700,000,000 unlisted warrants to Wisdom Phoenix Limited ("the Subscriber") under two tranches (i.e. 1,350,000,000 warrants each) at the exercise price of HK$0.022 and HK$0.05 respectively. Mr. Chan is a beneficial owner of the Subscriber.

(c) On 29 August 2014, the Company received the subscription form executed and submitted by Mr. Chan, an executive director of the Company and the ultimate beneficial owner of the Subscriber, for exercise of all of the subscription rights under the Tranche One Warrants. The Company received payment of HK$29,700,000 from Mr. Chan and allotted and issue a total of 67,500,000 warrant shares to Mr. Chan and his wholly-owned company at the exercise price of HK$0.44 per warrant share on 1 September 2014.

(d) On 31 October 2014, the Company offered to grant share options (the "Share Options") under its share option scheme adopted on 12 June 2014 (pursuant to a resolution approved by the shareholders in the general meeting held on the same date) to certain directors, employees and consultants of the Company to subscribe for a total of 67,725,562 new shares of the Company.

52. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

(e) On 26 November 2014, the Company as the purchaser entered into the acquisition agreement with Mr. Chan as the vendor for the acquisition by the Company of the entire equity interest of Commerce Sea Global Investment Limited at the consideration of HK$2,400,000 payable by the Company to Mr. Chan in cash as detailed in the announcement dated 26 November 2014.

(f) Members of key management personnel during the year comprised only of the directors whose remuneration is set out in Note 13.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

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

Name of subsidiary	Place of incorporation/	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
China Renji Medical (BVI) Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	**100%**	100%	Investment holding
Anping Medical Treatment Technology (Wuhu) Co., Limited	PRC	Registered capital of RMB246,200,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Anping Medical Management Co., Limited	PRC	Registered capital of RMB15,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Tianjin Anping Medical Management Co., Limited	PRC	Registered capital of RMB4,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Hong Kong Optical Co., Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	**—**	—	**52%**	—	Trading of optical products
Landmass Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	—	**—**	—	Investment holding
Natural Well Limited	Hong Kong	1 ordinary share of HK$1 each	**—**	—	**100%**	—	Property investment
Wuhu Puwei Medical Investment Management Co., Limited*	PRC	Registered capital of RMB126,000,000 paid-up capital of RMB55,440,000	**—**	—	**—**	54.55%	Leasing of medical equipment and provision of services on operations of medical equipment

* As at 31 December 2013, the Group had commitments on registered capital of a PRC subsidiary of HK$89,549,000 (equivalent to RMB70,364,000). In accordance with the articles of association of the PRC subsidiary, such amount should be injected on or before 29 May 2014.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(a) General information of subsidiaries — continued

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

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

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/	Proportion of ownership interests and voting power held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wintin International Limited	British Virgin Islands	**55%**	35%	**19,362**	6,170	**137,119**	89,741
Hong Kong Optical Co., Limited	Hong Kong	**48%**	—	**(44)**	—	**(2,355)**	—
				19,318	6,170	**134,764**	89,741

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Wintin International Limited

	2014	2013
	HK$'000	*HK$'000*
Current assets	**183,589**	346,418
Non-current assets	**404,593**	220,076
Current liabilities	**(427,162)**	(426,329)
Non-current liabilities	**—**	(533)
Net assets	**161,020**	139,632
Revenue	**100,825**	112,975
Expenses	**(43,640)**	(233,810)
Profit/(loss) for the year	**57,185**	(120,835)
Profit/(loss) attributable to:		
Owners of the Company	**37,823**	(127,005)
Non-controlling interests	**19,362**	6,170
Profit/(loss) for the year	**57,185**	(120,835)
Other comprehensive (loss)/income attributable to:		
Owners of the Company	**(2,012)**	17,139
Non-controlling interests	**(2,956)**	870
Other comprehensive income/(loss) for the year	**(4,968)**	18,009
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**35,811**	(109,866)
Non-controlling interests	**16,406**	7,040
Total comprehensive income/(loss) for the year	**52,217**	(102,826)
Net cash (outflow)/inflow from operating activities	**(318)**	53,835
Net cash outflow from investing activities	**(33,379)**	(84,395)
Net cash outflow	**(33,697)**	(30,560)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Hong Kong Optical Co., Limited

	2014	2013
	HK$'000	*HK$'000*
Current assets	**16,295**	—
Non-current assets	**649**	—
Current liabilities	**(20,999)**	—
Non-current liabilities	**(850)**	—
Net liabilities	**(4,905)**	—
Revenue	**2,479**	—
Expenses	**(2,570)**	—
Loss and total comprehensive loss for the year	**(91)**	—
Loss and total comprehensive loss attributable to:		
Owners of the Company	**(47)**	—
Non-controlling interests	**(44)**	—
Loss and total comprehensive loss for the year	**(91)**	—
Net cash inflow from operating activities	**17**	—
Net cash outflow from investing activities	**(5)**	—
Net cash inflow	**12**	—

54. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

On 11 November 2013, China Renji Medical (BVI) Limited, a subsidiary of the Company, disposed 35% of the entire issued share capital of Wintin International Limited and its subsidiaries ("Wintin Group") for a total consideration of HK$70,000,000 (the "Disposal of Partial Interest"). Upon completion of the Disposal of Partial Interest, and based on the consideration of HK$70,000,000 the Group recognised non-controlling interest of approximately HK$51,590,000. The difference between the consideration and the non-controlling interest recognised of approximately HK$18,410,000 and the exchange translation reserve attributable to non-controlling interest of approximately HK$49,834,000 in a sum of approximately HK$68,244,000 was charged to equity directly.

On 1 December 2014, China Renji Medical (BVI) Limited, a subsidiary of the Company, disposed 20% of the entire issued share capital of Wintin Group for a total consideration of HK$32,204,000 (the "Disposal of Partial Interest"). Upon completion of the Disposal of Partial Interest and based on the consideration of HK$32,204,000, the Group recognised non-controlling interest of approximately HK$60,338,000. The difference between the consideration and the non-controlling interest recognised of approximately HK$28,134,000 and the exchange translation reserve attributable to non-controlling interest of approximately HK$32,607,000 in a sum of approximately HK$4,473,000 was charged to equity directly.

55. NON-CASH TRANSACTIONS

The Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) There is interest payable of approximately HK$1,898,000 (2013: HK$3,650,000) which were included in other payables and accruals of the Group as at 31 December 2014.

(b) The consideration payable of HK$60,240,000 for the acquisition of 38% of the issued share capital of Redsun Developments Limited was satisfied by issue of a promissory note with a principal amount of HK$60,240,000 in February 2014.

(c) During the year ended 31 December 2013, the Group acquired property, plant and equipment of approximately HK$17,370,000 which were settled by deposits paid for acquisition of property, plant and equipment paid during the year ended 31 December 2011.

56. EVENT AFTER THE REPORTING PERIOD

(a) On 27 August 2014, Golden Oasis Health Limited ("the Purchaser"), a non-wholly owned subsidiary of the Company and Gold Swing Enterprises Limited ("the Vendor") entered into a sale and purchase agreement in relation to the acquisition of 55% of the issued share capital of Mega Fitness (Shanghai) Investments Limited (the "Sale Shares") at a total consideration of HK$35,000,000, of which (i) HK$24,000,000 will be payable to the Vendor as consideration for the Sale Shares and (ii) the remaining HK$11,000,000, together with the Vendor's proportionate contribution of HK$9,000,000, will be contributed to Mega Fitness (Shanghai) Investments Limited ("Target Company") as working capital for the Target Company and its subsidiaries ("Target Group")'s business development. The Target Group is principally engaged in the management and operation of a chain of sports clubs and fitness clubs under the brand "MEGAFIT" in the PRC. Following completion of the acquisition, the Group will hold 55% equity interest in the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company. As at the date of this report, the acquisition has not completed. For more details, please refer to the announcement dated 27 August 2014, 10 October 2014, 30 October 2014, 14 November 2014, 28 November 2014 and 31 December 2014 respectively.

(b) On 9 October 2014, the Company entered into a placing agreement with a placing agent (the "Placing Agent"), pursuant to which the Placing Agent agreed to place the tranche one convertible bonds and the tranche two convertible bonds with the principal amount of HK$43,340,000 each. Each tranche of convertible bonds bear interest of 8% per annum and matured on the first anniversary date of issue of the convertible bonds. The first tranche of convertible bonds in the principal amount of HK$43,340,000 was completed in 31 October 2014 and the second tranche of the convertible bonds in the principal amount of HK$43,340,000 was completed in 12 January 2015. For more details, please refer to the announcement dated 9 October 2014, 31 December 2014 and 12 January 2015 respectively.

(c) On 14 November 2014, Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang") (as issuer) and the Company (as subscriber) entered into the subscription agreement ("the Subscription Agreement") pursuant to which the Company has conditionally agreed to subscribe for, and Rui Kang has conditionally agreed to allot and issue 257,812,500 new Rui Kang shares ("the Subscription Shares") at the subscription price of HK$0.128 per share.

On 23 January 2015, the Subscription Agreement was completed and the 257,812,000 Subscription Shares were allotted and issued to the Company at the subscription price of HK$0.128 per Subscription Share.

For more details, please refer to the announcement dated 14 November 2014 and 23 January 2015 respectively.

56. EVENT AFTER THE REPORTING PERIOD — CONTINUED

(d) On 26 February 2015, Silver Wisdom Development Limited ("the Subscriber"), a wholly-owned subsidiary of Rui Kang, entered into the subscription agreement with New Health Elite International Limited ("the Investment Company") and pursuant to which, the Subscriber has conditionally agreed to subscribe for, and the Investment Company has conditionally agreed to allot and issue, the subscription shares at the cash consideration of HK$4.83 million.

Following the completion, the Investment Company will be owned as to 77% and 23% by the China Renji's Nominee and the Subscriber, respectively, and the Investment Company will be accounted for as a non-wholly owned subsidiary of the Company.

For more details, please refer to the Company's announcement dated 26 February 2015.

57. CONTINGENCIES

In November 2011, the Company (as plaintiff) instituted legal proceedings against the holder of a guaranteed convertible note of the Group, for an injunction restraining that holder from commencing any petition for winding up against the Company. The guaranteed convertible notes had been matured in August 2011 and had not been settled by the Group as at 31 December 2011. The amount claimed by the holder against the Company is approximately HK$1,007,000. The Court has ordered that the proceedings be adjourned sine die upon the undertaking of the holder to serve prior notice of intention before presenting any petition for winding up of the Company.

Since the amount claimed by the holder was already provided for as guaranteed convertible note and the guaranteed convertible note was fully repaid by the Group during the year ended 31 December 2014, no provision in respect of such claims would need to be made in the consolidated financial statements of the Group for the year ended 31 December 2014.

58. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

59. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2015.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2014

RESULTS

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Turnover	177,549	152,302	134,438	110,957	**85,385**
(Loss)/profit before taxation	(408,449)	(265,504)	56,970	(109,043)	**(39,500)**
Income tax	32,879	(1,385)	4,291	(7,452)	**(2,320)**
(Loss)/profit for the year	(375,570)	(266,889)	61,261	(116,495)	**(41,820)**
(Loss)/profit attributable to:					
— Owners of the Company	(375,570)	(266,889)	61,261	(122,665)	**(61,138)**
— Non-controlling interests	—	—	—	6,170	**19,318**
	(375,570)	(266,889)	61,261	(116,495)	**(41,820)**

ASSETS AND LIABILITIES

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Total assets	844,664	598,081	668,116	695,242	**903,489**
Total liabilities	(174,294)	(163,646)	(141,316)	(196,928)	**(316,272)**
Net assets	670,370	434,435	526,800	498,314	**587,217**
Equity attributable to owners of the Company	670,370	434,435	526,800	408,573	**452,453**
Non-controlling interests	—	—	—	89,741	**134,764**
	670,370	434,435	526,800	498,314	**587,217**