Annual Report
2014

PING SHAN

PING SHAN TEA GROUP LIMITED
坪 山 茶 業 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 364)

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Non-executive Director

Mr. Lam Kai Yeung

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

AUDIT COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

REMUNERATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

NOMINATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

AUTHORIZED REPRESENTATIVES

Under the Stock Exchange:
Mr. Cai Yangbo
Mr. Choi Wing Toon

Under the Companies Registry:
Mr. Cai Zhenrong
Mr. Choi Wing Toon

COMPANY SECRETARY

Mr. Ip Wai Sing, *ACPA*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3505, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

PKF Hong Kong
26/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Cayman Islands laws

Conyers Dill & Pearman

As to Hong Kong laws

Patrick Mak & Tse

PRINCIPAL BANKERS

Bank of Communications Co., Ltd
Hang Seng Bank Limited

WEBSITE

www.pingshantea.com.hk

STOCK CODE

364

Five-Year Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of Ping Shan Tea Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the last five financial years:

RESULTS

	Year ended 31 December 2014 HK$'000	15 months ended 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	Year ended 30 September 2011 HK$'000	Year ended 30 September 2010 HK$'000
REVENUE	**479,316**	262,329	–	–	–
LOSS FROM OPERATIONS	**(340,557)**	(38,479)	(16,754)	(35,027)	(36,553)
Finance costs	**(72,742)**	(37,081)	(9,016)	(9,820)	(8,538)
Loss on modifications of convertible bonds	**–**	–	(1,943)	–	–
Share of profits of an associate	**3,851**	–	–	–	–
LOSS BEFORE TAX	**(409,448)**	(75,560)	(27,713)	(44,847)	(45,091)
Income tax expense	**(6,156)**	(3,005)	–	–	–
LOSS FROM CONTINUING OPERATIONS	**(415,604)**	(78,565)	(27,713)	(44,847)	(45,091)
(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS	**(402,651)**	(1,142)	(163,062)	(93,609)	113,560
(LOSS)/PROFIT BEFORE NON-CONTROLLING INTERESTS	**(818,255)**	(79,707)	(190,775)	(138,456)	68,469
Non-controlling interests	**(875)**	–	–	–	–
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(819,130)**	(79,707)	(190,775)	(138,456)	68,469

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000	At 30 September 2011 HK$'000	At 30 September 2010 HK$'000
NON-CURRENT ASSETS	**3,148,871**	3,929,639	1,033,382	1,091,308	1,233,512
CURRENT ASSETS	**1,848,685**	1,576,780	694,271	830,635	842,513
TOTAL ASSETS	**4,997,556**	5,506,419	1,727,653	1,921,943	2,076,025
CURRENT LIABILITIES	**873,855**	601,062	268,318	287,285	434,720
NON-CURRENT LIABILITIES	**547,977**	757,602	147,168	162,833	154,237
TOTAL LIABILITIES	**1,421,832**	1,358,664	415,486	450,118	588,957
NET ASSETS	**3,570,991**	4,147,755	1,312,167	1,471,825	1,487,068
NON-CONTROLLING INTERESTS	**4,733**	–	–	–	–

Chairman's Statement

FINAL RESULTS

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the Group's audited results for the year ended 31 December 2014 (the "Year"). The Group's consolidated revenue from continuing operations for the Year increased by 82.7% to approximately HK$479.3 million (fifteen months ended 31 December 2013: approximately HK$262.3 million). Gross profit from continuing operations increased by 86.2% to approximately HK$205.7 million (fifteen months ended 31 December 2013: approximately HK$110.4 million). Loss attributable to owners of the Company amounted to approximately HK$819.1 million (fifteen months ended 31 December 2013: approximately HK$79.7 million). The loss was mainly attributable to the loss from discontinued operations of HK$402.7 million and impairment loss on goodwill of approximately HK$595.5 million which is partly offset by the gain on bargain purchase from business combination of approximately HK$106.7 million. Excluding these items, there was profit after tax of approximately HK$73.2 million.

BUSINESS REVIEW

During the Year, the Group has completed the disposal of loss making textile business and focus into the tea market with significant growth potential. We are engaged in the production, marketing and sale of tea in the People's Republic of China (the "PRC"). The main businesses are production and sale of a range of oolong teas in the form of both raw tea and refined tea. We have our own tea cultivation bases, production facilities, established brand and sales network. A majority of the raw teas are sold on a wholesale basis and the refined teas are sold on a retail basis through established retail network. Our brand is Ping Shan Famous Tea（坪山名茶）, which has been registered as trademark in Hong Kong and the PRC.

During the year, we have further expand the tea business through acquisition of 90% equity interest in Ever Reliance Asia Limited and its subsidiaries. Auhui Ji Gong Tea Limited, a wholly owned subsidiary of Ever Reliance Asia Limited, is also engaged in the operation of sales, of raw teas and refined teas and other related products as detailed in "Material Acquisitions or Disposals of Subsidiaries". In addition, we have entered into partnership agreement to acquire all equity interest in 黃山歙縣中福鑫茶業有限公司 (Huangshan She County Zhongfuxin Tea Limited) which is principally engaged in sales of raw teas, refined teas and other related products as detailed in "Addition Information". Subsequent to year end date, we have acquired sale shares of two companies which are also engaged in tea related business as more detailed in "Event After the End of the Year".

During the Year, there was full year contribution from tea business which contributed revenue from continuing operations of approximately HK$479.3 million, but incurred loss from continuing operations of approximately HK$415.6 million. The loss is mainly attributable to the impairment loss on goodwill of approximately HK$595.5 million which is partly offset by the gain on bargain purchase from business combination of approximately HK$106.7 million. Excluding these items, the tea business generated profit of approximately HK$73.2 million as a result of full year contribution from harvest of our cultivation bases and also sale for our raw teas, refined teas and other related products during the year.

Overall, the Group revenue from continuing operations increased by 82.7% to approximately HK$479.3 million (fifteen months ended 31 December 2013: approximately HK$262.3 million) and loss attributable to equity shareholders of the Company increased by 927.7% to approximately HK$819.1 million (fifteen months ended 31 December 2013: approximately HK$79.7 million). The loss attributable to equity shareholders of the Company was mainly due to loss from discontinued operations of approximately HK$402.7 million and impairment loss on goodwill of approximately HK$595.5 million which is offset partly by gain on bargain purchase from business combination of approximately HK$106.7 million. Excluding these items, there was profit attributable to equity shareholders of the Company of approximately HK$72.3 million which was mainly due to the full year contribution by tea business.

EVENT AFTER THE END OF THE YEAR

Acquisitions of sale shares of two companies

On 30 March 2015, Wide Lucky Asia Pacific Limited ("Wide Lucky") (a wholly owned subsidiary of the Company) and Mr. Wang Hui Dong entered into an agreement pursuant to which, Wide Lucky has conditionally agreed to acquire 100% of the issued share capital of Greenpost Investments Limited and an unsecured and interest free loan in the principal of RMB20,740,000 owed by Xiamen Huidian Design Limited (廈門滙典設計有限公司), a wholly-owned subsidiary of Greenpost Investments Limited, to Mr. Wang Hui Dong from Mr. Wang Hui Dong at the purchase price of RMB140,000,000 (equivalent to HK$175,000,000), which was agreed to be settled by cash payment. Xiamen Huidian Design Limited is principally engaged in the packaging of tea and production and sale of tea sets. On the same date, Wide Lucky and Mr. Ng Chun Pui entered into an agreement pursuant to which, Wide Lucky has conditionally agreed to acquire 100% of the issued share capital of Goodsign International Limited and an unsecured and interest free loan in the principal of RMB27,490,000 owed by Fujian Anxi Jinxiang Tea Limited (福建省安溪縣津香茶業有限公司), a wholly-owned subsidiary of Goodsign International Limited, to Mr. Ng Chun Pui from Mr. Ng Chun Pui at the purchase price of RMB160,000,000 (equivalent to HK$200,000,000), which was agreed to be settled by cash payment. Fujian Anxi Jinxiang Tea Limited is principally engaged in the cultivation of tea plants, production and sale of tea products and owns tea plantation of about 1,500 mu in Anxi Company, Fuijian Province.

Following the completion of the acquisitions, Greenpost Investments Limited and Goodsign International Limited will become wholly-owned subsidiaries of the Company. The financial results of the Greenpost Investments Limited and its subsidiaries and Goodsign International Limited and its subsidiaries will be consolidated into the consolidated financial statements of the Group.

Chairman's Statement

PROSPECTS

In view of good profit contribution (excluding impairment loss on goodwill of approximately HK$595.5 million and gain on bargain purchase from business combination of approximately HK$106.7 million) and great potential of the tea business, the Group will dedicate efforts to focus on the tea business. We have made several acquisition and investments in tea business during the year and subsequent to year end date as more detailed in "Material Acquisitions and Disposal of Subsidiaries", "Additional Information" and "Event After the End of the Year". Currently, the Group is looking at various possible business strategies to expand the tea business and is proactively searching for favorable expansion, merger and acquisition opportunities in the tea business, so as to realise the long term business potential of the tea business, and to further enhance its revenue sources and profitability, bring maximized returns to the shareholders.

APPRECIATION

I would like to take this opportunity to express my hearty thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

Cai Zhenrong
Chairman

Hong Kong, 31 March 2015

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the Year, the Group's consolidated revenue from continuing operations increased by 82.7% to approximately HK$479.3 million (fifteen months ended 31 December 2013: approximately HK$262.3 million). The increase is mainly due to the full year contribution from tea business (fifteen months ended 31 December 2013: five months contribution from tea business).

During the Year, gross profit of the Group from continuing operations increased by 86.2% to approximately HK$205.7 million (fifteen months ended 31 December 2013 : approximately HK$110.4 million) and gross margin increased slightly by 0.8 percentage points from 42.1% for the fifteen months ended 31 December 2013 to 42.9% for the Year. The increase in gross profit was due to the full year contribution from tea business as compared with the five months contribution for the fifteen months ended 31 December 2013 while the gross profit margin remain relatively stable. The loss after tax was mainly attributable to the loss from discontinuing operations of approximately HK$402.7 million. For continuing operations, there was loss after tax of approximately HK$415.6 million which was mainly due to the impairment loss on goodwill of approximately HK$595.5 million which is partly offset by the gain on bargain purchase from business combination of approximately HK$106.7 million and the full year profit contribution from operation of the tea business.

BUSINESS DEVELOPMENT AND OUTLOOK

During the Year, the Group has completed the disposal of loss making textile business and focus into the tea business. As a result, there is good contribution from the tea business (excluding the impairment on goodwill of approximately HK$595.5 million and gain on bargain purchase from business combination of approximately HK$106.7 million) which is driven by full year contribution from harvest of our cultivation bases and also sale for our raw tea and refined tea products.

Looking ahead, the Group will focus our management effort in the tea business which has good potential. The Group will proactively searching for favorable expansion, merger and acquisition opportunities in the tea business and also looking at various possible business strategies to expand our tea business.

ANALYSIS BY CUSTOMER GEOGRAPHICAL REGIONS

Sales to customers located in the China region accounted for 100% (fifteen months ended 31 December 2013: 100%) of total revenue from continuing operations in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2014, the Group had current assets of approximately HK$1,848.7 million (at 31 December 2013: approximately HK$1,576.8 million) and current liabilities of approximately HK$873.9 million (at 31 December 2013: approximately HK$601.1 million). The current ratio (calculated as current assets to current liabilities) decreased from 2.62 as at 31 December 2013 to 2.12 as at 31 December 2014. The gearing ratio (calculated as the total bank borrowings, the convertible bonds, debentures and financial liabilities at fair value through profit or loss to total shareholders' equity) had increased from 0.18 as at 31 December 2013 to 0.32 as at 31 December 2014. These ratios were at reasonably adequate levels as at 31 December 2014 while the Group had sufficient resources in meeting its short-term and long-term obligations.

During the Year, the net cash generated from operating activities and net cash generated from financing activities were approximately HK$269.5 million (fifteen months ended 31 December 2013: approximately HK$96.0 million) and approximately HK$594.7 million (fifteen months ended 31 December 2013: used in approximately HK$161.3 million) respectively.

Total bank borrowings decreased to approximately HK$17.5 million (fifteen months ended 31 December 2013: approximately HK$30.2 million) during the Year, and all the borrowings at 31 December 2014 were repayable within one year.

During the Year, the Group issued unlisted debentures of approximately HK$280 million (fifteen months ended 31 December 2013: approximately HK$193 million) at face value with issuing costs of approximately HK$13.2 million (fifteen months ended 31 December 2013: approximately HK$11.0 million). The debentures are interest bearing with interest ranged from 5%-6% of the face value per annum, unsecured and repayable on the range from second anniversary to eighth anniversary of the respective date of issue. As at 31 December 2014, the carrying values of the debentures were approximately HK$460.0 million (at 31 December 2013: 185.9 million).

During the Year, the original convertible bonds with principal amount of approximately HK$157.9 million were converted to ordinary shares of the Company. The Company also issued new convertible notes, which is classified as financial liabilities at fair value through profit or loss with principal amount of approximately HK$253.0 million and redeemed approximately HK$46 million of this new convertible notes during the Year. As at 31 December 2014, the carrying value of convertible bonds and convertible notes amounted to approximately HK$430.2 million (at 31 December 2013: approximately HK$525.1 million) and approximately HK$240.4 million (at 31 December 2013: Nil) respectively.

CAPITAL STRUCTURE

During the Year, there were increases in the issued share capital of the Company through the following issuance of shares of the Company:

1) issuance of 600,000,000 new ordinary shares at a price of HK$0.18 per share under placing;

2) issuance of 348,228,000 new ordinary shares upon exercising share options;

3) issuance of 893,314,343 new ordinary shares upon conversion of convertible bonds; and

4) issuance of 2,160,000,000 new ordinary shares for acquisition of Ever Reliance Asia Limited.

The total number of issued share capital of the Company as at 31 December 2014 was 15,777,549,141 ordinary shares.

CAPITAL EXPENDITURE AND MATERIAL ACQUISITION

During the Year, the total capital expenditure and material acquisition of the Group for the expansion of various plants and erection of new buildings was approximately HK$67.3 million (fifteen months ended 31 December 2013: approximately HK$127.5 million).

In addition, we have paid approximately HK$157.5 million deposits for potential business combination during the Year (fifteen months ended 31 December 2013: HK$195.3 million).

FOREIGN EXCHANGE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in RMB and Hong Kong dollars ("HKD"), except overseas sales which are denominated in USD. In view of the currency peg between HKD and USD and a relatively strong RMB at HK$1.00 equal to RMB1.25 (as at 31 December 2014), the fluctuations of foreign currencies did not have a significant impact on the performance of the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 (at 31 December 2013: Nil).

EMPLOYMENT INFORMATION

At 31 December 2014, the total number of employees of the Group in Hong Kong, Macau and the PRC was 309 (at 31 December 2013: 1,355). The Group's emoluments policies are based on the performance of individual employees and on the basis of the salary trends in various regions, and are reviewed periodically.

For the Year, the total staff costs (including directors' emoluments) amounted to approximately HK$73.7 million (fifteen months ended 31 December 2013: approximately HK$176.9 million), the amount including approximately HK$13.4 million related to the equity-settled share-based payments (fifteen months ended 31 December 2013: approximately HK$65.2 million). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

Management Discussion and Analysis

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

The Disposal

On 30 June 2014, Treasure Wealth Assets Limited, a wholly-owned subsidiary of the Company, entered into the disposal agreement with Northeast Knittex Mfg, Inc. whereby Northeast Knittex Mfg, Inc. have conditionally agreed to purchase and Treasure Wealth Assets Limited, has conditionally agreed to sell 100% of the ordinary shares of United Glory Development Ltd, Huafeng Technical Services Ltd and Huafeng Trading Macao Commercial Offshore Ltd for a total consideration of HK$216 million.

The disposal was approved by the shareholders in the extraordinary general meeting on 21 August 2014 and the disposal was detailed in the circular dated 31 July 2014.

The Acquisition

On 29 August 2014, China Tea Holdings (BVI) Limited (the "Purchaser") (a wholly owned subsidiary of the Company), Ms. Hoi Sao U (the "Sale Loan Vendor") and Keen Resources Group Limited (the "Sale Shares Vendor") entered into the sale and purchase agreement pursuant to which, the Purchaser has conditionally agreed to acquire and the Sale Shares Vendor and the Sale Loan Vendor have conditionally agreed to sell (i) the 45,000 shares, representing 90% of the issued share capital of Ever Reliance Asia Limited (the "Target Company") owned by the Sale Shares Vendor; and (ii) the unsecured and interest free loan in the principal of approximately RMB314.2 million, representing approximately 90% of the entire outstanding loan in the principal of approximately RMB349.1 million owed by Auhui Ji Gong Tea Limited to the Sale Loan Vendor, respectively, in aggregate at the purchase price of HK$405,000,000 (the "Purchase Price"), which will be satisfied partly in cash, and partly by the allotment and issue of 2,160,000,000 Shares.

Following the completion of the acquisition, the Target Company will become a 90% owned subsidiary of the Company. The financial results of the Target Company and its subsidiaries will be consolidated into the consolidated financial statements of the Group.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries during the Year.

Management Discussion and Analysis

ADDITIONAL INFORMATION

Proposed Increase in Authorised Share Capital of the Company

As at 11 April 2014, the authorised share capital of the Company was HK$200,000,000 divided into 20,000,000,000 Shares of HK$0.01 each. At the annual general meeting of the Company held on 16 May 2014 (the "AGM") for the purpose of considering and, if thought fit, approving the Company to seek the approval of the Shareholders to increase the authorised share capital of the Company to HK$800,000,000 divided into 80,000,000,000 Shares of HK$0.01 each so that it would increase the Company's flexibility in issuing shares for any future investments and developments. The relevant resolution was duly passed at the AGM.

Formation of Partnership

On 27 June 2014, 茂庸股權投資基金管理（天津）有限公司 (Mao Yong Equity Investment Fund Management (Tianjin) Limited) (as the General Partner), 福建省安溪縣大坪綠色食品工程有限公司 (Fujian Anxi Daping Green Food Technology Company Limited) (an indirect wholly-owned subsidiary of the Company) and 中信信託有限責任公司 (Citic Trust Limited) (both as Limited Partners) entered into a partnership agreement pursuant to which the parties agreed to form the partnership, a limited partnership to be established under the laws of the PRC pursuant to the partnership agreement dated 27 June 2014 and entered into among Mao Yong Equity Investment Fund Management (Tianjin) Limited as the General Partner, and Citic Trust Limited and Fujian Anxi Daping Green Food Technology Company Limited as the Limited Partners.

Investment in the Fund

On 23 December 2014, the Company entered into the cooperation agreement with Shenzhen Zhongke Hongyi Investment Limited ("Shenzhen Zhongke") and Korea M&A Exchange, pursuant to which the Company agreed to make a capital contribution of USD30 million for the joint establishment of the Sino-Korean Health Industry Merger & Acquisition Fund with Shenzhen Zhongke and Korea M&A Exchange.

Placing of New Shares

On 13 January 2014, the Company entered into a placing agreement with Guoco Capital Limited (the "Placing Agent"), pursuant to which the Company conditionally agreed to place, through the Placing Agent, up to a maximum of 600,000,000 new ordinary shares of HK$0.01 each in the capital of the Company (the "Placing Share(s)"), on a best-effort basis to not fewer than six independent placees at a price of HK$0.18 per Placing Share (the "Placing").

The closing price per ordinary share as quoted on the Stock Exchange on 13 January 2014, being the date of the placing agreement was HK$0.191. The net price for each Placing Share was approximately HK$0.179.

The Directors (including the independent non-executive Directors) considered that as a result of the Placing, the Company could broaden its shareholders' base and capital base. The Directors (including the independent non-executive Directors) considered that the terms of the Placing were fair and reasonable based on the current market conditions and the Placing was in the interests of the Company and the Shareholders as a whole.

The Placing was completed on 17 January 2014. An aggregate of 600,000,000 Placing Shares has been successfully placed to not fewer than six placees at a price of HK$0.18 per Placing Share, raising gross proceeds of HK$108 million. The net proceeds from the Placing amount to approximately HK$107.6 million which would be intended to be applied for potential acquisition activities as identified by the Group from time to time and as the general working capital of the Group.

Details of the above transaction were published in the Company's announcements dated 13 January 2014 and 17 January 2014.

DUAL LISTING

On 28 December 2006, the Company made a pre-application to the Korea Exchange (the "KRX") for the establishment of the Korea Depository Receipts Programme (the "KDR") on the KRX and the Company applied to the relevant authorities for the listing of not more than 300 million new shares (equivalent to 6 million KDRs) under the KDR, by way of public offering in KRX on 16 February 2007. The offering was approved by the Financial Supervisory Service of Korea on 9 November 2007. Subsequently the Company was successfully dual listing in both Hong Kong and Korea on 26 November 2007. For further details, please refer to the Company's announcements dated 27 December 2006, 16 February 2007, 27 June 2007, 23 October 2007 and 9 November 2007 together with the Company's circular dated 28 February 2007. The disclosure agent in Korea is Value C&I Consulting Co., Ltd.

Report of the Corporate Governance

CORPORATE GOVERNANCE

The Company has adopted most of the code provisions as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")and the Board is committed to complying with the CG Code to the extent that the directors of the Company (the "Director(s)") consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasize an effective Board, sound internal control, appropriate independence policy, and transparency and accountability to the Shareholders. The Board will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Year.

BOARD

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group.

A) Board Composition

The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors, serving the important functions of guiding the management.

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

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Non-executive Director

Mr. Lam Kai Yeung (Appointed on 19 December 2014)

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai (Appointed on 31 July 2014)
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)

The biographical details of the Directors and the relationships among them are set out in "Directors' Biographies" on pages 38 to 40 of this report. Save as disclosed in the section headed "Directors' Biographies", none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

B) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to the Shareholders, for the manner in which the affairs of the Group are managed and operated. As and when necessary, the Directors can access to the advice and services of the company secretary of the Company (the "Company Secretary"), and in the appropriate circumstances, seeking of independent professional advice at the Group's expense to ensure that the Board procedures, and all applicable rules and regulations are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board fully supports the senior management to discharge its duties and responsibilities in all circumstances. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

C) Meeting Records

There were 16 Board meetings held for the Year. The following was an attendance record of the Board meetings held:

Board Members	**Attendance at meetings held for the Year**
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	16/16
Mr. Cai Zhenyao	16/16
Mr. Cai Zhenying	16/16
Mr. Cai Yangbo *(Managing Director)*	16/16
Mr. Choi Wing Toon	16/16
Non-executive Director	
Mr. Lam Kai Yeung (Appointed on 19 December 2014)	1/1
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	16/16
Ms. Choy So Yuk, *BBS, JP*	16/16
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	6/6
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	9/10

There were 2 general meetings held on 16 May 2014 and 21 August 2014 which were the annual general meeting and 1 extraordinary general meeting of the Company respectively.

The following was an attendance record of the general meetings held.

Board Members	**Attendance at meetings held for the Year**
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	1/2
Mr. Cai Zhenyao	2/2
Mr. Cai Zhenying	0/2
Mr. Cai Yangbo *(Managing Director)*	0/2
Mr. Choi Wing Toon	2/2
Non-executive Director	
Mr. Lam Kai Yeung (Appointed on 19 December 2014)	0/0
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	0/2
Ms. Choy So Yuk, *BBS, JP*	1/2
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	1/1
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	0/1

D) Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that all three independent non-executive Directors are independent. The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

E) Directors' Training

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

During the Year and up to the date of this report, the Company had arranged to provide to all Directors with the "A Guide on Directors' Duties" issued by Companies Registry. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

The role of the chairman and chief executive/managing director are performed by Mr. Cai Zhenrong and Mr. Cai Yangbo respectively. This segregation ensures a clear distinction between the chairman's and the chief executive/managing director's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

NON-EXECUTIVE DIRECTORS

Terms of Appointment of Non-executive Directors

The non-executive Director, Mr. Lam Kai Yeung, entered into a letter of appointment with the Company and was appointed for an initial term of two years commencing from 19 December 2014. He will hold office until the conclusion of the next annual general meeting of the Company and will offer himself for re-election at the forthcoming annual general meeting.

The two independent non-executive Directors, Mr. Lawrence Gonzaga and Ms. Choy So Yuk, *BBS, JP* entered into a letter of appointment with the Company and was appointed for an initial term of two years commencing from 16 January 2015. The independent non-executive Director, Mr. Yuen Chun Fai entered into a letter of appointment with the Company and was appointed for an initial term of two years commencing from 31 July 2014.

In accordance with article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

A) Audit Committee

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors.

Composition of the Audit Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai (Appointed on 31 July 2014)
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)

Role and Function

The Audit Committee is mainly responsible for:

i. discussing with the external auditor the nature and scope of audit before the audit commences;

ii. reviewing the draft Company's annual and interim accounts before submission to, and providing advice and comments to the Board;

iii. reviewing the external auditor's management letter and considering the appointment of external auditor, their audit fees and questions of resignation or dismissal;

iv. discussing problems and reservations arising from the annual and interim accounts and matters that the external auditor may wish to discuss (in the absence of the management, where necessary); and

v. assessing the risk environment and reviewing internal control procedure of the Group.

Meeting Record

The Audit Committee met twice during the Year, particular in reviewing the interim and annual results, and the internal control of the Group. The following was an attendance record of the Audit Committee meetings for the Year:

Audit Committee Members	**Attendance at meetings held for the Year**
Mr. Lawrence Gonzaga *(Chairman)*	2/2
Ms. Choy So Yuk, *BBS, JP*	2/2
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	1/2
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	1/2

During the Year, the Audit Committee has discussed the auditing and financial reporting matters, the internal control and risk management systems, and the annual and interim accounts. The audited financial statements of the Group for the Year have been reviewed by the Audit Committee.

B) Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") which consists of three independent non-executive Directors.

Composition of the Remuneration Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai (Appointed on 31 July 2014)
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)

Role and Function

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

ii. making recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

iii. determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors;

iv. considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

v. reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

vi. reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

vii. reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

viii. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

ix. advising the Shareholders on how to vote in respect of any service contract of the Director which shall be subject to the approval of Shareholders (in accordance with the provisions of rule 13.68 of the Listing Rules).

Meeting Record

The Remuneration Committee met 3 times during the Year. The following was an attendance record of the Remuneration Committee meeting for the Year:

Remuneration Committee Members	Attendance at meetings held for the Year
Mr. Lawrence Gonzaga *(Chairman)*	3/3
Ms. Choy So Yuk, *BBS, JP*	3/3
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	1/1
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	1/2

During the Year, the Remuneration Committee has reviewed the remuneration package of the Board members and the senior management of the Company.

The number of senior management of the Group whose remuneration for the year ended 31 December 2014 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	1

C) Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") which consists of three independent non-executive Directors.

Composition of the Nomination Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai (Appointed on 31 July 2014)
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)

Role and Function

The Nomination Committee is mainly responsible for:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and

iii. assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the Chief Executive.

Board Diversity Policy

The Nomination Committee adopted the Board diversity policy on 29 May 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Meeting Record

The Nomination Committee met 3 times during the Year. The following was an attendance record of the Nomination Committee meeting for the Year:

Nomination Committee Members	**Attendance at meetings held for the Year**
Mr. Lawrence Gonzaga *(Chairman)*	3/3
Ms. Choy So Yuk, *BBS, JP*	3/3
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	1/1
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	1/2

During the Year, the Nomination Committee has reviewed the appointment of the Board members of the Company.

D) Corporate Governance Functions

The Board is responsible for performing the duties on corporate governance functions set out below:

i. developing and reviewing the Company's policies and practices on corporate governance and making recommendations;

ii. reviewing and monitoring the training and continuous professional development of Directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance and legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

v. reviewing the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report contained in the annual report of the Company.

AUDITOR'S REMUNERATION

During the Year, the remuneration paid and payable to the auditor of the Company, PKF Hong Kong ("PKF"), for the provision of the Group's audit services and non-audit services amounted to HK$2,000,000 and HK$1,043,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the year. In preparing the consolidated financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and on a going concern basis. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware any material uncertainties relating to events or conditions which may cost significant doubt over the Group's ability to continue as a going concern. It is the auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the Shareholders, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditor's report.

INTERNAL CONTROL

During the Year, the Board complied with the code provision on internal control as set out in the CG code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. During the Year, the Board has conducted a review of the effectiveness of the system of internal control of the Company and its principal subsidiaries with no material issues noted.

The Board also considered that there is adequate resources, qualifications and experience of staff in the Group to monitor the Group's accounting and financial reporting functions. The Company will ensure such matters are under review by the Board periodically and training programmes will be provided to the staff whenever necessary to ensure their knowledge and experience are adequate to discharge their duties.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, with Shareholders and management. According to rule 3.29 of the Listing Rules, the Company Secretary, Mr. Ip Wai Sing has taken no less than 15 hours of relevant professional training for the Year.

Report of the Corporate Governance

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "Policy") on 28 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:–

Hotline no.:	2549 0669
By post:	Room 3505, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong

INVESTOR RELATIONS

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to Shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.

The Group's investor relation firm in Hong Kong is Porda Havas International Finance Communications Group while handling corporate relations in Korea is Value C&I Consulting Co., Ltd.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

As at 11 April 2014, the authorised share capital of the Company was HK$200,000,000 divided into 20,000,000,000 Shares of HK$0.01 each. At the annual general meeting of the Company held on 16 May 2014 (the "AGM") for the purpose of considering and, if thought fit, approving the Company to seek the approval of the Shareholders to increase the authorised share capital of the Company to HK$800,000,000 divided into 80,000,000,000 Shares of HK$0.01 each so that it would increase the Company's flexibility in issuing shares for any future investments and developments. The relevant resolution was duly passed at the AGM.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of its principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements. Except for the disposal of the textile business, there were no significant changes in the nature of the Group's principal activities during the Year.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the financial statements on pages 43 to 154.

The Board does not recommend the payment of a final dividend for the Year (fifteen months ended 31 December 2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 22 May 2015.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 32 to the consolidated financial statements.

CONVERTIBLE BONDS, DEBENTURES AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of the convertible bonds, debentures and financial liabilities at fair value through profit or loss issued by the Company are set out in notes 28, 29 and 30 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, there were increases in the issued share capital of the Company through the following issuance of shares of the Company:

1) issuance of 600,000,000 new ordinary shares at a price of HK$0.18 per share under placing;

2) issuance of 348,228,000 new ordinary shares upon exercising share options;

3) issuance of 893,314,343 new ordinary shares upon conversion of convertible bonds; and

4) issuance of 2,160,000,000 new ordinary shares for acquisition of Ever Reliance Asia Limited.

The total number of issued share capital of the Company as at 31 December 2014 was 15,777,549,141 ordinary shares.

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

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 35(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 48 of this report.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had distributable reserves of approximately HK$2,975.2 million. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company of approximately HK$3,602.64 million as at 31 December 2014, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentage of sales attributable to the Group's five largest customers was less than 15%, in which sales to the largest customer represented approximately 3% of the total sales for the Year.

The percentage of purchase attributable to the Group's five largest supplier was 41% while total purchase from the largest supplier represented approximately 12% of the total purchase for the Year.

Neither the Directors, any of their associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Non-executive Director

Mr. Lam Kai Yeung

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai (Appointed on 31 July 2014)
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)

Report of the Directors

In accordance with article 108 of the Company's articles of association, Mr. Cai Zhenying, Mr. Cai Yangbo and Mr. Lawrence Gonzaga will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with the article 112 of the Company's articles of association, Mr. Lam Kai Yeung and Mr. Yuen Chun Fai will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 38 to 40 of this report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 1 August 2002, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

As at the date of this report, the non-executive Director, namely Mr. Lam Kai Yeung entered into a letter of appointment with the Company for a term of two years from 19 December 2014 to 18 December 2016, which can be terminated by either party giving not less than one month notice in writing to the other party.

Two independent non-executive Directors, namely Mr. Lawrence Gonzaga and Ms. Choy So Yuk, *BBS, JP* have entered into a letter of appointment with the Company for a term of two years from 16 January 2015 to 15 January 2017, which can be terminated by either party giving not less than one month notice in writing to the other party.

One independent non-executive Directors, namely Mr. Yuen Chun Fai has entered into a letter of appointment with the Company for a term of two years from 31 July 2014 to 30 July 2016, which can be terminated by either party giving not less than one month notice in writing to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR(S)

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Director is as follows:

Mr. Cai Yangbo's monthly salary as an executive Director was adjusted from HK$150,000 to HK$80,000 with effect from 1 April 2014.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 43 to the consolidated financial statements.

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

As at 31 December 2014, the interests and short positions of the Directors and Chief Executives or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which are 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 as recorded in the register of interests required to be maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long Positions

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Zhenrong	Beneficial owner	Personal	467,541,000 (Note 1)	2.96%
	Corporate owner	Corporate	6,519,747,840 (Note 2)	41.32%
Mr. Cai Zhenyao	Beneficial owner	Personal	62,972,000 (Note 3)	0.40%
	Corporate owner	Corporate	1,838,540,378	11.65%
Mr. Cai Zhenying	Beneficial owner	Personal	15,220,000 (Note 4)	0.10%

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Yangbo	Beneficial owner	Personal	18,770,000 (Note 5)	0.12%
Mr. Choi Wing Toon	Beneficial owner	Personal	3,000,000 (Note 6)	0.02%
Mr. Lawrence Gonzaga	Beneficial owner	Personal	3,000,000 (Note 7)	0.02%
Ms. Choy So Yuk, *BBS, JP*	Beneficial owner	Personal	4,700,000 (Note 8)	0.03%
Mr. Wong Chi Hung, Stanley (Resigned on 31 July 2014)	Beneficial owner	Personal	2,000,000 (Note 7)	0.01%

Notes:

1. These Shares include 4,500,000 Shares which are the share options granted to Mr. Cai Zhenrong under the share option scheme adopted by the Company on 24 February 2012 (the "New Scheme").

2. These Shares include 1,011,786,547 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the acquisition of the entire issued share capital of China Natural Tea Holdings Company Limited (the "Acquisition").

3. These Shares include 13,220,000 Shares which are the share options granted to Mr. Cai Zhenyao under the share option scheme adopted by the Company on 30 August 2002 and terminated on 24 February 2012 (the "Terminated Scheme"). These Shares also include 4,500,000 Shares which are the share options granted to Mr. Cai Zhenyao under the New Scheme.

4. These Shares include 13,220,000 Shares and 2,000,000 Shares which are the share options granted to Mr. Cai Zhenying under the Terminated Scheme and the New Scheme respectively.

5. These Shares include 4,500,000 Shares which are the share options granted to Mr. Cai Yangbo under the New Scheme.

6. These Shares include 1,000,000 Shares which are the share options granted to Mr. Choi Wing Toon under the New Scheme.

7. These Shares are the share options granted to the Directors under the New Scheme.

8. These Share include 1,200,000 Shares and 3,500,000 Shares which are the share options granted to Ms. Choy So Yuk, *BBS JP* under the Terminated Scheme and the New Scheme respectively.

Save as disclosed above, as at 31 December 2014, none of the Directors and Chief Executives or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 as recorded in the register of interests required to be maintained pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share option scheme", at no time during the Year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 24 February 2012, the Company has passed the resolutions in a Shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 (the "Terminated Scheme") and the adoption of a new share option scheme (the "New Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

As at the date of this report, the total number of shares available for issue under the Terminated Scheme and the New Scheme are 237,140,000 and 1,194,316,000, representing approximately 1.50% and 7.57% of the issued share capital of the Company.

The following table discloses details of the Company's share options held by the Directors and employees of the Group and other participants pursuant to the Terminated Scheme and the New Scheme and movements in such holdings during the Year:

				Number of share option				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise price** (HK$)	**Outstanding as at 1.1.2014**	**Granted during the Year**	**Lapsed during the Year**	**Exercised during the Year**	**Outstanding as at 31.12.2014**
Mr. Cai Zhenrong	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,500,000	–	–	1,500,000
Mr. Cai Zhenyao	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	–	–	13,220,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,500,000	–	–	1,500,000
Mr. Cai Zhenying	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	–	–	13,220,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	1,000,000	–	–	–	1,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,000,000	–	–	1,000,000
Mr. Cai Yangbo	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,500,000	–	–	1,500,000
Mr. Choi Wing Toon	24.10.2013	24.10.2013 – 23.10.2018	0.2538	1,000,000	–	–	–	1,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,000,000	–	(1,000,000)	–
Mr. Lawrence Gonzaga	24.10.2013	24.10.2013 – 23.10.2018	0.2538	2,000,000	–	–	–	2,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,000,000	–	–	1,000,000

Name or category of participant	Date of grant	Exercise period	Exercise price (HK$)	Number of share option: Outstanding as at 1.1.2014	Granted during the Year	Lapsed during the Year	Exercised during the Year	Outstanding as at 31.12.2014
Ms. Choy So Yuk, *BBS, JP*	1.3.2010	1.3.2010 – 28.2.2015	0.5200	1,200,000	–	–	–	1,200,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	2,000,000	–	–	–	2,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,500,000	–	–	1,500,000
Mr. Wong Chi Hung, Stanley (resigned on 31 July 2014)	24.10.2013	24.10.2013 – 23.10.2018	0.2538	1,000,000	–	(1,000,000)	–	–
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	1,000,000	(1,000,000)	–	–
Subtotal				43,640,000	10,000,000	(2,000,000)	(1,000,000)	50,640,000
Employees	11.5.2009	11.5.2009 – 10.5.2014	0.2550	123,920,000	–	(123,920,000)	–	–
Employees	1.3.2010	1.3.2010 – 28.2.2015	0.5200	66,100,000	–	–	–	66,100,000
Employees	4.4.2011	4.4.2011 – 3.4.2016	0.4000	2,200,000	–	–	–	2,200,000
Other participants	4.4.2011	4.4.2011 – 3.4.2016	0.4000	141,200,000	–	–	–	141,200,000
Employees	24.10.2013	24.10.2013 – 23.10.2018	0.2538	838,500,000	–	–	–	838,500,000
Other participants	24.10.2013	24.10.2013- 23.12.2018	0.2538	320,500,000	–	–	–	320,500,000
Employees	20.5.2014	20.5.2014 – 19.5.2019	0.1036	–	359,544,000	–	(347,228,000)	12,316,000
Subtotal				1,492,420,000	359,544,000	(123,920,000)	(347,228,000)	1,380,816,000
Total				**1,536,060,000**	**369,544,000**	**(125,920,000)**	**(348,228,000)**	**1,431,456,000**

Note:

Closing price of the shares on the last trading day prior to the date of grant was HK$0.1050 per share.

During the Year, no options was exercised under the Terminated Scheme or New Scheme.

Details of the specific categories of share options are as follows:

Year	Date of grant	Exercise period	Exercise price HK$
2009	11.5.2009	11.5.2009 – 10.5.2014	0.2550
2010	1.3.2010	1.3.2010 – 28.2.2015	0.5200
2011	4.4.2011	4.4.2011 – 3.4.2016	0.4000
2013	24.10.2013	24.10.2013 – 23.10.2018	0.2538
2014	20.5.2014	20.5.2014 – 19.5.2019	0.1036

If the share options remain unexercised after the exercise period from the date of grant, the share options will expire. Share options are forfeited if the employee leaves the Group before the share options vest.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2014, to the best knowledge of the Directors, the following person (other than a Director and Chief Executives) who had interests or short positions in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions

Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity	Long Position/ short position	Number of shares held	Approximate percentage of shareholding in the Company
Ms. Su Li Yuan	Spousal interest	Long Position	6,987,288,840 (Note 1)	44.28%
Smart Fujian Group Limited	Beneficial interest	Long Position	6,519,747,840 (Note 2)	41.32%
Asia Equity Value Ltd	Beneficial interest	Long Position	2,418,330,667	15.33%
	Beneficial interest	Short Position	600,000,000	3.80%

Name of Shareholder	Capacity	Long Position/ short position	Number of shares held	Approximate percentage of shareholding in the Company
Ms. Lin Xiupei	Spousal interest	Long Position	1,901,512,378 (Note 3)	12.05%
Exalt Wealth Limited	Beneficial interest	Long Position	1,838,540,378 (Note 3)	11.65%
Central Huijin Investment Ltd	Corporate interest	Long Position	1,630,525,473 (Note 4)	10.33%
China Construction Bank Corporation	Corporate interest	Long Position	1,630,525,473 (Note 4)	10.33%

Notes:

1. These Shares comprise 467,541,000 Shares held and beneficially owned by Mr. Cai Zhenrong, an executive Director. The remaining Shares of 6,519,747,840 include 1,011,786,547 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition. Ms. Su Liyuan, as the spouse of Mr. Cai Zhenrong, is deemed to be interested in these 6,987,288,840 Shares under the SFO.

2. These Shares include 1,011,786,547 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition.

3. These Shares comprise 62,972,000 Shares held and beneficially owned by Mr. Cai Zhenyao, an executive Director and 1,838,540,378 Shares held and beneficially owned by Exalt Wealth Limited. The 62,972,000 Shares include 13,220,000 Shares which are the share options granted to Mr. Cai Zhenyao under the Terminated Scheme. Exalt Wealth Limited is wholly-owned by Mr. Cai Zhenyao. Ms. Lin Xiupei, as the spouse of Mr. Cai Zhenyao, is deemed to be interested in these 1,901,512,378 Shares under the SFO.

4. These Shares include 743,519,616 Conversion Shares which have been held and beneficially owned by Teya Holdings Limited, a wholly-owned subsidiary upon completion of the Acquisition. Teya Holdings Limited is indirectly held by China Construction Bank Corporation, which is held and beneficially owned by Central Huijin Investment Ltd.

Save as disclosed above, as at 31 December 2014, no person, other than the Directors and Chief Executives whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or short positions in the shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, no Directors or their respective associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 30 September 2012, for the fifteen months ended 31 December 2013 and for the year ended 31 December 2014 were audited by PKF.

PKF will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PKF as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Cai Zhenrong
Chairman

Hong Kong, 31 March 2015

Directors’ Biographies

EXECUTIVE DIRECTORS

Mr. Cai Zhenrong, aged 67, is the founder, the Chairman and an executive Director of the Group. He is also a director of the subsidiaries of the Company. Mr. Cai Zhenrong is responsible for the overall strategic planning, business development and strategic investments of the Group. Mr. Cai Zhenrong has over 20 years of experience in the textile industry. He established East South Asia Trading Co. Ltd. in 1988 as an investment vehicle for the investment and establishment of Huafeng Knitting Co., Ltd. Shishi City, Fujian (“Huafeng Knitting”). Since the establishment of Huafeng Knitting, Mr. Cai Zhenrong has devoted a significant amount of time in the Philippines for the Group’s business management and development. Mr. Cai Zhenrong is the brother of Mr. Cai Zhenyao and Mr. Cai Zhenying; the father of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenyao, aged 60, is an executive Director and the finance director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenyao was the factory and operations manager in Fujian Province Shishi City Hanjiang Liantang Plastic and Metal Manufactory during the period from 1985 to 1988, and was the deputy general manager of Fujian Province Shishi City Hanjiang Liantang Xinda Knitting Manufactory during the period from 1988 to 1992. Mr. Cai Zhenyao has been responsible for the Group’s overall organisational and finance systems management since joining the Group in 1993, including the establishment of employees benefits system, production management system, accounting and treasury system and internal control system. Mr. Cai Zhenyao is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenying; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenying, aged 58, is an executive Director and the marketing director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenying was the sales manager of Fujian Province Shishi City Huangguanba Textile Company Limited during the period from 1988 to 1992. Mr. Cai Zhenying has been responsible for the Group’s sales, marketing and promotion functions since joining the Group in 1993. Mr. Cai Zhenying is principally responsible for the formulation and administration of the marketing and promotion activities of the Group as well as customers’ liaison for the Group. He has accumulated in-depth knowledge in relation to the fabric processing industry, the credit standing and the needs and preferences of the Group’s customers. Mr. Cai Zhenying is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenyao; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Yangbo, aged 40, is a managing and executive Director. Mr. Cai Yangbo was appointed as the managing Director on 16 January 2010. He is also a director of the subsidiaries of the Company. Mr. Cai Yangbo was the deputy general manager of Fujian Province Shishi City Yongningzi Yingmingfeng Knitting Factory during the period from 1993 to 1996 and was principally responsible for production and business management. Mr. Cai Yangbo has been responsible for the overall production factory management and human resources of the Group since joining the Group in 1996. Mr. Cai Yangbo is the son of Mr. Cai Zhenrong; the nephew of Mr. Cai Zhenyao and Mr. Cai Zhenying.

Mr. Choi Wing Toon, aged 64, is an executive Director and the marketing and promotion manager of the Group. He is also a director of the subsidiaries of the Company. Mr. Choi Wing Toon was a proprietor engaged in fabrics trading and processing agency services prior to joining the Group. Mr. Choi Wing Toon has been responsible for the overseas sales and marketing activities of the Group since joining the Group in 1997. Mr. Choi Wing Toon is the cousin of Mr. Cai Zhenrong, Mr. Cai Zhenyao and Mr. Cai Zhenying.

Directors' Biographies

NON-EXECUTIVE DIRECTOR

Mr. Lam Kai Yeung, aged 46, was a non-executive Director. Mr. Lam was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited（湖南有色金屬股份有限公司）(stock code: 2626), a company listed on the Main Board of the Stock Exchange, from July 2006 to August 2013. Mr. Lam has been an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited（東北虎藥業股份有限公司）(stock code: 8197), a company listed on the Growth Enterprise Market of the Stock Exchange, since August 2008; an independent non-executive director of Silverman Holdings Limited（銀仕來控股有限公司）(stock code: 1616), a company listed on the Main Board of the Stock Exchange, since June 2012; and an independent non-executive director of Highlight China IoT International Limited（高鋭中國物聯網國際有限公司）(formerly known as Ford Glory Group Holdings Limited 福源集團控股有限公司 (stock code: 1682), a company listed on the Main Board of the Stock Exchange, since August 2014. Mr. Lam is a fellow of the Association of Chartered Certified Accountants（英國特許公認會計師公會）and a fellow of the Hong Kong Institute of Certified Public Accountants（香港會計師公會）. Mr. Lam obtained a bachelor degree of accounting from Xiamen University（廈門大學）in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Gonzaga, aged 41, was appointed as independent non-executive Director in August 2002. He is also the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lawrence Gonzaga graduated from De La Salle University in the Philippines in 1993 with a bachelor of science degree in commerce majoring in business management. Mr. Lawrence Gonzaga has worked in a securities company in the Philippines for over 14 years. Mr. Lawrence Gonzaga is a member of the Market Technicians Association and holds the Chartered Market Technician designation.

Ms. Choy So Yuk, *BBS, JP* ("Ms. Choy"), aged 64, was appointed as an independent non-executive Director in August 2002. She is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy is also an independent non-executive director of Loudong General Nice Resources (China) Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 988). Ms. Choy holds a wide variety of political, social and academic positions, such as a Deputy of the National People's Congress of China, a Member of the Eastern District Council of Hong Kong Special Administrative Region, and a director of Fujian Middle School. Ms. Choy was a member of the Legislative Council in Hong Kong from 1998 to 2008.

Directors' Biographies

Mr. Yuen Chun Fai ("Mr. Yuen"), aged 36, was appointed as an independent non-executive Director on 18 July 2014. Mr. Yuen holds a bachelor's degree of science in accounting and finance awarded by The London School of Economics and Political Science in 2002. Mr. Yuen is a fellow of the Association of Chartered Certified Accountants and is also a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Yuen has over 12 years experiences in the field of financial reporting, financial management and audit experience in Hong Kong, China, Malaysia and Singapore. Mr. Yuen was an executive director of Cybertowers Berhad (Stock Code: 0022. KL), a company listed in the ACE Market in Malaysia, from April 2012 to June 2013, and was appointed as a non-independent non-executive director of Cybertowers Berhad, from June 2013 to February 2014. Mr. Yuen is currently an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) and the executive director of WLS Holdings Limited (Stock Code: 8021), each of the companies whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Cai Yanghang, aged 29, was the general manager of Fujian Nature Tea Science and Technology Co., Ltd, the principal subsidiary of the Group. He studied computer science in Huaqiao University（國立華僑大學）from September 2001 to July 2002. Mr. Cai Yanghang has over 7 years of experience in tea industry. Mr. Cai Yanghang is the son of Mr. Cai Zhenrong; the brother of Mr. Cai Yangbo; the nephew of Mr. Cai Zhenyao and Mr. Cai Zhenying.

Independent Auditor's Report

大信梁學濂(香港)會計師事務所

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PING SHAN TEA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ping Shan Tea Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 154, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

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

OPINION

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

PKF
Certified Public Accountants
Hong Kong

31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
CONTINUING OPERATIONS			
REVENUE	6	**479,316**	262,329
Cost of sales		**(273,628)**	(151,881)
GROSS PROFIT		**205,688**	110,448
Changes in fair value of biological assets less costs to sell during the year/period	17	**57,985**	3,950
Other income	7	**18,340**	2,811
Selling and distribution expenses		**(16,353)**	(10,946)
Administrative expenses		**(64,163)**	(144,619)
Other operating expenses		**–**	(123)
Gain on bargain purchase from business combination	37(a)	**106,681**	–
Impairment loss on goodwill	18	**(595,498)**	–
Change in fair value of financial liabilities at fair value through profit or loss	30	**(33,391)**	–
Deficit on revaluation of property, plant and equipment		**(19,846)**	–
LOSS FROM OPERATIONS		**(340,557)**	(38,479)
Finance costs	10	**(72,742)**	(37,081)
Share of profits of an associate		**3,851**	–
LOSS BEFORE TAX		**(409,448)**	(75,560)
Income tax expense	11	**(6,156)**	(3,005)
Loss for the year/period from continuing operations		**(415,604)**	(78,565)
DISCONTINUED OPERATIONS			
Loss for the year/period from discontinued operations	15	**(402,651)**	(1,142)
LOSS FOR THE YEAR/PERIOD	12	**(818,255)**	(79,707)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(819,130)**	(79,707)
Non-controlling interests		**875**	–
LOSS FOR THE YEAR/PERIOD		**(818,255)**	(79,707)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
LOSS PER SHARE	14		
From continuing and discontinued operations			
– Basic		**(HK6.05 cents)**	(HK1.56 cents)
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**(HK3.07 cents)**	(HK1.54 cents)
– Diluted		**N/A**	N/A
From discontinued operations			
– Basic		**(HK2.98 cents)**	(HK0.02 cent)
– Diluted		**N/A**	N/A

The notes on pages 51 to 154 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
LOSS FOR THE YEAR/PERIOD		**(818,255)**	(79,707)
Other comprehensive (loss)/income:–			
Items that will not be reclassified to profit or loss:–			
Gains on properties revaluation		**–**	27,608
Deferred tax relating to gains on property revaluation	31(b)	**–**	(6,902)
		–	20,706
Items that may be subsequently reclassified to profit or loss:–			
Exchange differences on translating foreign operations		**(37,950)**	32,561
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	38	**(243,754)**	–
		(281,704)	32,561
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX		**(281,704)**	53,267
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(1,099,959)**	(26,440)
ATTRIBUTABLE TO:-			
Equity shareholders of the Company		**(1,100,834)**	(26,440)
Non-controlling interests		**875**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(1,099,959)**	(26,440)

The notes on pages 51 to 154 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**217,866**	1,035,557
Biological assets	17	**820,000**	323,820
Intangible assets	18	**1,544,097**	2,150,372
Interest in an associate	19	**105,071**	–
Available-for-sale financial assets	20	**–**	1,323
Deposits paid	21	**454,688**	410,445
Other receivables and prepayments	22	**2,107**	7,384
Deferred tax assets	31	**5,042**	738
		3,148,871	3,929,639
CURRENT ASSETS			
Inventories	23	**171,011**	209,335
Trade receivables	24	**20,200**	173,347
Prepayments, deposits and other receivables		**150,236**	177,607
Pledged bank deposits	25	**25,000**	37,800
Cash and bank balances	25	**1,482,238**	978,691
		1,848,685	1,576,780
CURRENT LIABILITIES			
Bank loans, secured	26	**17,500**	30,240
Trade and bills payables	27	**64,076**	102,496
Receipts in advance, other payables and accruals	27	**120,734**	439,427
Amount due to a related party	27	**1,576**	1,588
Amount due to the sole shareholder of the non-controlling interest's shareholder	27	**43,636**	–
Convertible bonds	28	**282,698**	–
Debentures	29	**191,461**	–
Financial liabilities at fair value through profit or loss	30	**130,323**	–
Current tax liabilities		**21,851**	27,311
		873,855	601,062
NET CURRENT ASSETS		**974,830**	975,718

Consolidated Statement of Financial Position

At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,123,701**	4,905,357
NON-CURRENT LIABILITIES			
Convertible bonds	28	**147,492**	525,151
Debentures	29	**268,583**	185,885
Financial liabilities at fair value through profit or loss	30	**110,068**	–
Deferred tax liabilities	31	**21,834**	46,566
		547,977	757,602
NET ASSETS		**3,575,724**	4,147,755
CAPITAL AND RESERVES			
Share capital	32	**157,775**	117,760
Reserves	35	**3,413,216**	4,029,995
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**3,570,991**	4,147,755
NON-CONTROLLING INTERESTS	39	**4,733**	–
TOTAL EQUITY		**3,575,724**	4,147,755

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Cai Zhenyao
Director

Choi Wing Toon
Director

The notes on pages 51 to 154 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

		Attributable to equity shareholder of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 October 2012		14,468	500,524	61,903	48,555	23,326	229,789	–	433,602	1,312,167	–	1,312,167
Comprehensive loss												
Loss for the period		–	–	–	–	–	–	–	(79,707)	(79,707)	–	(79,707)
Other comprehensive income												
Properties revaluation gain, net of tax		–	–	20,706	–	–	–	–	–	20,706	–	20,706
Exchange differences on translation of foreign operations		–	–	–	–	–	32,561	–	–	32,561	–	32,561
Total comprehensive income/(loss) for the period		–	–	20,706	–	–	32,561	–	(79,707)	(26,440)	–	(26,440)
Issue of shares for business combination	37(b)	94,958	2,269,505	–	–	–	–	–	–	2,364,463	–	2,364,463
Equity component of convertible bonds for business combination	28(b) & 37(b)	–	–	–	–	278,899	–	–	–	278,899	–	278,899
Conversion of convertible bonds	28(a)	8,334	144,018	–	–	(23,326)	–	–	–	129,026	–	129,026
Lapse of share options granted in prior years		–	–	–	(184)	–	–	–	184	–	–	–
Equity settled share-based transactions	33	–	–	–	89,640	–	–	–	–	89,640	–	89,640
Appropriation		–	–	–	–	–	–	12	(12)	–	–	–
At 31 December 2013 and 1 January 2014		117,760	2,914,047	82,609	138,011	278,899	262,350	12	354,067	4,147,755	–	4,147,755
Comprehensive loss												
Loss for the year		–	–	–	–	–	–	–	(819,130)	(819,130)	875	(818,255)
Other comprehensive income/(loss)												
Properties revaluation gain, net of tax		–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–	(37,950)	–	–	(37,950)	–	(37,950)
Release upon disposal of subsidiaries		–	–	–	–	–	(243,754)	–	–	(243,754)	–	(243,754)
Total comprehensive (loss)/income for the year		–	–	–	–	–	(281,704)	–	(819,130)	(1,100,834)	875	(1,099,959)
Transfer to retained profits upon disposal of subsidiaries		–	–	(82,279)	–	–	–	–	82,279	–	–	–
Placing of shares		6,000	102,000	–	–	–	–	–	–	108,000	–	108,000
Issue of shares for business combination	37(a)	21,600	218,160	–	–	–	–	–	–	239,760	3,858	243,618
Conversion of convertible bonds	28(b)	8,933	190,658	–	–	(72,764)	–	–	–	126,827	–	126,827
Lapse of share options granted in prior years		–	–	–	(11,220)	–	–	–	11,220	–	–	–
Equity settled share-based transactions	33	–	–	–	13,407	–	–	–	–	13,407	–	13,407
Exercise of share options granted during the year		3,482	45,228	–	(12,634)	–	–	–	–	36,076	–	36,076
Appropriation		–	–	–	–	–	–	534	(534)	–	–	–
At 31 December 2014		**157,775**	**3,470,093**	**330**	**127,564**	**206,135**	**(19,354)**	**546**	**(372,098)**	**3,570,991**	**4,733**	**3,575,724**

Note: The share premium account of the Group includes:–

(i) the premium arising from the issue of new shares; and

(ii) the difference between the nominal value of the share capital of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefor pursuant to a reorganisation scheme ("the Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 30 August 2002. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in Appendix IV "Statutory and General Information" in the Company's prospectus dated 20 August 2002.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
– continuing operations	**(409,448)**	(75,560)
– discontinued operations	**(401,916)**	(319)
Adjustments for:–		
Bank interest income	**(5,893)**	(5,076)
Actual interest on convertible bonds	**11,118**	5,003
Imputed interest on convertible bonds	**24,261**	17,440
Interest on cash consideration payable for business combination	**971**	1,721
Interest on debentures	**17,075**	7,993
Amortisation of issuing cost of debentures	**7,379**	3,865
Interest on financial liabilities at fair value through profit or loss	**8,901**	–
Other finance costs	**3,037**	1,059
Depreciation of property, plant and equipment	**43,050**	82,939
Amortisation of intangible assets	**6,601**	3,961
Impairment loss on property, plant and equipment	**–**	5,026
Loss on disposals of property, plant and equipment	**–**	6,415
Property, plant and equipment written off	**4,166**	76
Deficit on revaluation of property, plant and equipment	**19,846**	–
Gain/(loss) arising from change in fair value less costs to sell of biological assets	**(21,341)**	17,334
Loss on disposal of subsidiaries	**385,879**	–
Impairment loss on goodwill	**595,498**	–
Share of profit of an associate	**(3,851)**	–
Gain on bargain purchase from business combination	**(106,681)**	–
Charges in fair value of financial liabilities at fair value through profit or loss	**33,391**	–
Equity-settled share-based payments	**13,407**	89,640
Operating profit before working capital changes	**225,450**	161,517
Changes in working capital:–		
Inventories	**(1,631)**	(126,156)
Trade receivables	**20,328**	54,077
Prepayments, deposits and other receivables	**41,994**	(44,708)
Trade and bills payables	**(31,360)**	(16,595)
Receipts in advance, other payables and accruals	**15,668**	69,470
Amount due to a related party	**–**	1,588
Cash generated from operations	**270,449**	99,193
Income tax paid	**(919)**	(3,182)
Net cash generated from operating activities	**269,530**	96,011

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire and deposits for acquisition of property, plant and equipment		**(67,314)**	(127,526)
Deposits for potential business combination		**(157,500)**	(195,300)
Proceeds from disposals of property, plant and equipment		**–**	2,238
Net cash inflow from disposal of subsidiaries	38	**104,992**	–
Net cash (outflow)/inflow for business combination		**(122,660)**	611,479
Capital injection in an associate		**(101,250)**	–
Decrease in fixed bank deposits		**–**	155,262
Interest received		**5,893**	5,076
Net cash (used in)/generated from investing activities		**(337,839)**	451,229
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of financial liabilities at fair value through profit or loss		**253,000**	–
Redemption of financial liabilities at fair value through profit or loss		**(46,000)**	–
Net proceeds from issue of debentures		**266,780**	182,020
Repayment of bank loans		**(12,500)**	(12,500)
Proceeds from shares issued on exercise of share options		**36,076**	–
Proceeds from placing of shares		**108,000**	–
Convertible bond interest paid		**(3,513)**	(888)
Interest paid on financial liabilities at fair value through profit or loss		**(7,360)**	–
Interest paid on debentures		**(10,531)**	–
Other finance costs paid		**(1,772)**	(1,059)
Decrease/(increase) in pledged bank deposits		**12,500**	(6,250)
Net cash generated from financing activities		**594,680**	161,323
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**526,371**	708,563
Effect of foreign exchange rate changes		**(22,824)**	9,124
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		**978,691**	261,004
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**1,482,238**	978,691
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,482,238**	978,691

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is changed to Room 3505, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong with effect from 24 October 2014. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Korea Exchange under the Korea Depository Receipts Programme.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordnance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Initial application of IFRSs

In the current year, the Group initially applied the following new or revised standards and amendments ("New IFRSs") issued by the IASB:–

IFRIC 21	Levies
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Annual Improvements to IFRSs (2010-2012)	Amendments to IFRS 2 and IFRS 3

The initial application of these New IFRSs does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

(c) IFRSs in issue but not yet effective

The following IFRSs in issue at 31 December 2014 have not been applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014 since they were not yet effective for the year:–

IFRS 9 (2014)	Financial Instruments[4]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from contracts with Customers[3]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Method of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Bearer Plants[2]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Annual improvements to IFRSs (2010-2012)	Amendments to IFRS 8, IAS 16, IAS 24 and IAS 38[1]
Annual improvements to IFRSs (2011-2013)	Amendments to IFRS 3, IFRS 13 and IAS 40[1]
Annual improvements to IFRSs (2012-2014)	Amendments to IFRS 5, IFRS 7 and IAS 19[2]

1 Effective for the annual periods beginning on or after 1 January 2015
2 Effective for the annual periods beginning on or after 1 January 2016
3 Effective for the annual periods beginning on or after 1 January 2017
4 Effective for the annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for Amendments to IAS 16 and IAS 41 – Bearer Plants which defines a bearer plant and requires biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The Group's Tea Forest (as defined in note 3(f)) meets the definition of bearer plant and can be measured using either the cost model or the revaluation model set out in IAS 16. On the initial application of the amendments, the Group is permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognised in opening retained earnings at the beginning of the earliest period presented. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and financial liabilities at fair value through profit or loss which are carried at their fair values and biological assets which are carried at their fair values less costs to sell.

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

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company.

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

All intra-group transaction, balances, income and expenses are eliminated on consolidation.

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

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

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

(b) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred to the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of the reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, 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 combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash–generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

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

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(d) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognised in the profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the profit or loss, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the reporting 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 are recognised as a separate component of equity. Such translation differences are recognised in the profit or loss for the reporting period in which the foreign operation is disposed of.

(e) Property, plant and equipment

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

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

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the properties revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the properties revaluation reserve are charged against the properties revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the properties revaluation reserve is transferred directly to retained profits and is not reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts, less their residual values, if any, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	over the lease terms
Buildings	the shorter of the lease terms and 10 to 50 years
Plant and machinery	5 – 15 years
Furniture, fixtures, office equipment and motor vehicles	3 – 10 years

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

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

(f) Biological assets

Biological assets comprise tea trees in forests, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation ("Tea Forest") involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or further processing.

Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period, with any change therein recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. The fair value less costs to sell at the time of harvest is deemed as the cost of agriculture produce.

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expended yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

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

(i) Classification of assets leased to the Group

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

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

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

(ii) Assets acquired under finance leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(iii) Operating lease charges

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

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

(h) Technical know-how and trademark

Technical know-how and trademark acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of technical know-how and trademark. Technical know-how and trademark are amortised from the date they are available for use and the estimated useful lives are ten years and seven years respectively from the date they are available for use according to the agreements entered by the Group for acquisition of the technical know-how and trademark.

(i) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Recognition and derecognition of financial instruments

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

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

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

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments (continued)

For 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 instruments, they are measured at cost less any identified impairment losses at the end of each reporting period.

(l) Derivative financial instruments

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments

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

Borrowings

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

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:–

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight–line basis over the terms of the guarantee contracts.

Convertible bonds

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments (continued)

Convertible bonds (continued)

The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated In convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the accumulated profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the option.

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

The liability component (or part of the liability component) of the convertible bonds is derecognised when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

A significant modification of the terms of the convertible bond is accounted for as a recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognised in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognised liability component is recognised in the equity/convertible bond reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bond reserve to retained profits.

Other convertible debt instruments issued by the Company (including related embedded derivatives) are designated at fair value through profit or loss on initial recognition with transaction cost charge to the profit or loss accounts. At the end of each reporting period subsequent to initial recognition, the entire debt instruments are measured at fair value, with changes in fair value recognised directly in the profit or loss in the period in which they arise.

Trade and other payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments (continued)

Equity instruments

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

Debentures

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

(p) Revenue recognition

Revenue from sales of raw teas, refined teas and other related products and manufactured goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that then significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the provision of fabric processing services is recognised when the services are rendered.

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

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and business consultants. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to those persons that provide the nature of business development to the Group are measured at the fair value of the services received or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and recognised as expenses.

(s) Borrowing costs

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

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

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

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Impairment of assets

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

Recoverable amount is the higher of fair value less costs 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.

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

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

(x) Provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

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

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

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

Segment assets included all tangible, intangible, non-current and current assets with the exception of corporate assets. Segment liabilities included current and non-current liabilities attributable to the individual segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items may comprise certain financial and corporate assets, certain financial and corporate liabilities, other income, certain corporate and financing expenses, income tax expenses and certain non-recurring income or expenses as disclosed in note 8.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Discontinued operations

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

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

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

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(aa) Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Legal titles of buildings and leasehold land in the People's Republic of China (the "PRC")

As stated in note 16 to the consolidated financial statements, the ownership certificates of certain buildings and leasehold land located in the PRC were not issued to the Group as at 31 December 2013. Despite the fact that the Group has not obtained the relevant ownership certificates, the directors determine to recognise those buildings and leasehold land located in the PRC as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings and leasehold land located in the PRC.

Key sources of estimation uncertainty

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

(a) Estimated useful lives and residual values of property, plant and equipment, technical know-how and trademark

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

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which these items 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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(c) *Impairment of property, plant and equipment*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the Group is required to estimate the asset's recoverable amount. The recoverable amount of an asset is the greater of its fair value less cost 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 time value of money and the risks specific to the asset.

(d) *Impairment of trade and other receivables*

Impairment of trade receivables and other receivables is made based on assessment of their recoverability. The identification of impairment of trade receivables and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss or reversal of impairment in the period in which such an estimate has been changed.

(e) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to market conditions. Management reassesses these estimates at each reporting date.

(f) *Fair values of buildings*

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

(g) *Fair value of the liability component of convertible bonds*

A suitable discount rate is determined by the directors in order to calculate the fair value of the liability component of convertible bonds. The directors have exercised their judgements and estimates with reference to the current market conditions. If different discount rate is adopted, the fair value of liability component of convertible bonds will change.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(h) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details are contained in note 31 to the consolidated financial statements.

(i) Fair value of biological assets

Biological assets are measured at fair value less costs to sell. In determining the fair value of the biological assets, the professional valuer has applied a discounted cash flow method of the income approach which requires a number of key assumptions and estimates to be made such as discount rate, tea leaves selling price, operating costs and lifecycle. Any change in the estimates may affect the fair value of the biological assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets.

(j) Fair values of share options granted and financial liabilities at fair value through profit or loss

The Group appointed an independent professional valuer to assess the fair values of the share options granted financial liabilities at fair value through profit or loss. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of the share options granted and financial liabilities at fair value through profit or loss significantly.

5. FINANCIAL RISK MANAGEMENT

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

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through business transactions, assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the Group's entitles. The currencies giving rise to this risk are primarily HKD and RMB.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

	At 31 December 2014				At 31 December 2013			
	HKD	**USD**	**RMB**	**Total**	HKD	USD	RMB	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	**-**	**-**	**-**	**-**	10,013	10	9	10,032
Trade receivables	**-**	**-**	**-**	**-**	–	51,892	–	51,892
Intra-group balances	**-**	**-**	**-**	**-**	–	–	228,125	228,125
Trade and bills payables	**-**	**-**	**-**	**-**	(8)	(14,368)	(2,157)	(16,533)
	-	**-**	**-**	**-**	10,005	37,534	225,977	273,516

At 31 December 2014, the Group did not have significant currency risk exposure as the recognised assets and liabilities denominated in the foreign currencies where their functional currencies in RMB were disposed upon disposal of subsidiaries.

Since HKD is pledged to USD, material fluctuations in the exchange rates between HKD and USD are remote.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

The following table summarises the currencies that the Group is exposed to currency risk after excluding those financial assets and liabilities which have remote exchange effects:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
HKD	–	10,013
RMB	–	225,977
	–	235,990

The net financial assets denominated in HKD are held by subsidiaries of which the functional currencies are RMB. The net financial assets denominated in RMB are held by a subsidiary of which the functional currency is Macau Pataca ("MOP").

Should RMB and MOP at 31 December 2013 devalue by 10% against all foreign currencies, the carrying amount of the net financial assets exposed to currency risk at 31 December 2013 would be increased, and hence the equity at 31 December 2013 would be increased by HK$23,599,000; and the loss for the period from 1 October 2012 to 31 December 2013 would be decreased by HK$23,599,000.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The carrying amounts of financial assets as at 31 December 2013 and 2014, which represented the Group's significant exposure to credit risk, are as follows:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Trade receivables	**20,200**	173,347
Deposits and other receivables	**136,133**	130,273
Pledged bank deposits	**25,000**	37,800
Bank balances	**1,481,439**	978,548
	1,662,772	1,319,968

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within 30 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The directors consider that the credit risk from pledged bank deposits and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The directors consider that the credit risk from deposits and other receivables is minimal as there are no indications for deterioration of creditworthiness of counter parties and the recoverability are reasonably assured.

The Group's exposure to credit risk is influenced mainly 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 lesser extent. At 31 December 2014, the Group has a certain concentration of credit risk, that 97.60% (2013: 4.25%) and 99.55% (2013: 14.88%) of total trade receivables was due from the largest customer and five largest customers respectively.

The Group did not provide any financial guarantees which would expose the Group to credit risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-adjusted capital ratio.

Maturities of the financial liabilities of the Group as at 31 December 2013 and 2014 were as follows:–

	At 31 December 2014					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
Bank loans, secured	**17,500**	**18,588**	**18,588**	**–**	**–**	**–**
Trade and bills payables	**64,076**	**64,076**	**64,076**	**–**	**–**	**–**
Other payables and accruals	**117,232**	**117,232**	**117,232**	**–**	**–**	**–**
Amount due to a related party	**1,576**	**1,576**	**1,576**	**–**	**–**	**–**
Amount due to the sole shareholder of the non-controlling interest's shareholder	**43,636**	**43,636**	**43,636**	**–**	**–**	**–**
Convertible bonds	**430,190**	**467,981**	**289,099**	**–**	**178,882**	**–**
Financial liabilities at fair value through profit or loss	**240,391**	**215,953**	**98,276**	**94,604**	**23,073**	**–**
Debentures	**460,044**	**545,718**	**212,041**	**130,560**	**64,299**	**138,818**
	1,374,645	**1,474,760**	**844,524**	**225,164**	**266,254**	**138,818**

	At 31 December 2013					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
Bank loans, secured	30,240	31,880	31,880	–	–	–
Trade and bills payables	102,496	102,496	102,496	–	–	–
Other payables and accruals	438,124	438,124	438,124	–	–	–
Amount due to a related party	1,588	1,588	1,588	–	–	–
Convertible bonds	525,151	637,068	11,149	289,099	336,820	–
Debentures	185,885	215,864	–	215,864	–	–
	1,283,484	1,427,020	585,237	504,963	336,820	–

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The following table details the fixed/variable rate financial assets/liabilities in which the Group is exposed to interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2013 and 2014:–

	At 31 December 2014		At 31 December 2013	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate financial assets				
Other receivable	**1.75%**	**53,200**	1.75%	53,200
Fixed rate financial liabilities				
Debentures	**5.16% – 9.43%**	**(460,044)**	6.38% – 9.43%	(185,885)
Consideration payable included in other payables and accruals	**4%**	**(55,265)**	4%	(96,925)
Convertible bonds – liability component	**7.058% – 7.709%**	**(430,190)**	7.058% – 7.709%	(525,151)
Financial liabilities at fair value through profit or loss	**4%**	**(240,391)**	–	–
Variable rate financial assets				
Bank balances	**0.01% – 0.35%**	**1,481,439**	0.01% – 0.35%	978,548
Pledged bank deposits	**0.35%**	**25,000**	0.35%	37,800
Variable rate financial liabilities				
Bank loans, secured	**7.00%**	**(17,500)**	7.50% – 7.69%	(30,240)
		356,249		231,347

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 December 2014 would be decreased and respective retained profits would be increased by approximately HK$14,889,000 (period from 1 October 2012 to 31 December 2013: HK$9,861,000).

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk (continued)

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Fair value

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2014 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss	**240,391**	**–**	**–**	**240,391**

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value (continued)

	Fair value at 31 December 2013 HK$'000	Fair value measurements as at 31 December 2013 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss	–	–	–	–

During the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the financial liabilities at fair value through profit or loss, which includes convertible notes ("CN") and warrants ("Warrant") as disclosed in note 30, were estimated using binomial option pricing model and the inputs into the model at 31 December 2014 were as follows:

	CN	**Warrant**
Quoted market price	0.074	0.074
Expected volatility	36.74%	39.22%
Expected life	2.08 years	4.57 years
Risk-free interest rate	0.6%	1.38%
Discount rate	8.34%	N/A
Expected dividend yield	Nil	Nil

Details of key unobservable inputs used in valuing the financial liability at fair value through profit or loss are as follows:–

	Key unobservable inputs	**Range**	**Inter-relationship between key unobservable inputs and fair value measurements**
Financial liability at fair value through profit or loss	Expected volatility	36.74% – 39.22%	The estimated fair value increases when expected volatility increases
	Discount rate	8.34%	The estimated fair value decreases when the discount rate increases

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value (continued)

The CN and Warrant were independently valued by BMI Appraisals Limited ("BMI"). BMI and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving financial instruments. The professional valuers of BMI involved in this valuation include professional members of the Royal Institution of Chartered Surveyors ("MRICS"), the American Institute of Certified Public Accountants ("AICPA") and the Institute of Public Accountants ("MIPA"), as well as charterholders of Chartered Financial Analyst ("CFA") and Financial Risk Manager ("FRM"). They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets worldwide and have previously performed valuations of various kinds of convertible bonds and warrants.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors is a member organisation of the International Valuation Standards Council (the "IVSC") which encourages their respective members to adopt and use the International Valuation Standards laid down by the IVSC. BMI has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the the CN and Warrant.

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

6. REVENUE

The Group's revenue, which is also the Group's turnover for both continuing and discontinued operations, represents the invoiced value of services rendered and goods sold to external customers less discounts and return, and net of value-added tax. An analysis of the Group's turnover are as follows:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Provision of fabric processing services	**–**	–	**214,113**	526,593	**214,113**	526,593
Sale of fabrics, yarns and blankets	**–**	–	**1,718**	93,653	**1,718**	93,653
Sales of raw teas, refined teas and other related products	**479,316**	262,329	**–**	–	**479,316**	262,329
	479,316	262,329	**215,831**	620,246	**695,147**	882,575

7. OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Bank interest income	**4,860**	2,667	**1,033**	2,409	**5,893**	5,076
Government grants	**13,480**	144	**735**	2,150	**14,215**	2, 294
Others	**–**	–	**21**	343	**21**	343
	18,340	2,811	**1,789**	4,902	**20,129**	7,713

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:–

– Provision of fabric processing services and manufacture and sale of fabrics

– Manufacture and sale of yarns and blankets

– Raw teas, refined teas and other related products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. As mentioned in note 38, the Group disposed of its subsidiaries which are principally engaged in provision of fabric processing services and manufacture and sale of fabrics, yarns and blankets on 21 August 2014, thus, these segments are classified as discontinued operations.

Segment profits or losses do not include share of profits of an associate, gain on bargain purchase from business combination, unallocated other income, unallocated corporate expenses, finance costs, change in fair value of financial liabilities at fair value through profit of loss, impairment loss of goodwill, loss on disposal of subsidiaries, impairment loss on property, plant and equipment and income tax expense. Segment assets do not include pledged bank deposits, cash and bank balances and unallocated corporate assets. Segment liabilities do not include secured bank loans, current tax liabilities, deferred tax liabilities, convertible bonds, financial liabilities at fair value through profit or loss, debentures and unallocated corporate liabilities.

8. SEGMENT INFORMATION (continued)

Information about the Group's repportable segments are as belows:

	Discontinued operation						Continuing operation			
	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Subtotal		Raw teas, refined teas and other related products		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
REVENUE										
Revenue from external customers	**214,113**	532,600	**1,718**	87,646	**215,831**	620,246	**479,316**	262,329	**695,147**	882,575
Segment (loss)/profit	**(4,053)**	35,526	**(13,761)**	(49,360)	**(17,814)**	(13,834)	**214,051**	98,755	**196,237**	84,921
Impairment loss on property, plant and equipment									**–**	(5,026)
Unallocated other income									**20,129**	7,713
Unallocated corporate expenses									**(30,906)**	(126,406)
Gain on bargain purchase from business combination									**106,681**	–
Impairment loss on goodwill									**(595,498)**	
Change in fair value of financial liabilities at fair value through profit or loss									**(33,391)**	–
Deficit on revaluation of property, plant and equipment									**(19,846)**	–
(Loss)/profit from operation									**(356,594)**	(38,798)
Finance costs									**(72,742)**	(37,081)
Share of profits of an associate									**3,851**	–
Loss on disposal of subsidiaries									**(385,879)**	–
Loss before tax									**(811,364)**	(75,879)
Income tax expense									**(6,891)**	(3,828)
Loss for the year/period									**(818,255)**	(79,707)

8. SEGMENT INFORMATION (continued)

	Discontinued operation				Continuing operation			
	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Consolidated	
	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
Assets								
Segment assets	**–**	785,810	**–**	469,787	**3,344,949**	3,169,466	**3,344,949**	4,425,063
Unallocated corporate assets							**1,652,607**	1,081,356
Consolidated total assets							**4,997,556**	5,506,419
Liabilities								
Segment liabilities	**–**	229,648	**–**	75,796	**200,172**	120,527	**200,172**	425,971
Unallocated corporate liabilities							**1,221,660**	932,693
Consolidated total liabilities							**1,421,832**	1,358,664

	Discontinued operation				Continuing operation					
	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Unallocated		Consolidated	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Other segment information:										
Capital expenditure	**12,501**	17,217	**3,600**	16,400	**208,286**	289,177	**427**	32	**224,814**	322,826
Depreciation and amortisation	**24,786**	52,447	**13,267**	30,526	**11,560**	3,876	**38**	51	**49,651**	86,900
Property, plant and equipment written off	**–**	76	**–**	–	**4,166**	–	**–**	–	**4,166**	76
Loss on disposals of plant and equipment	**–**	6,415	**–**	–	**–**	–	**–**	–	**–**	6,415
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	5,026	**–**	5,026

8. SEGMENT INFORMATION (continued)

Geographical information

Revenue by geographical location is as below:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
The Philippines	**–**	–	**70,630**	212,994	**70,630**	212,994
The PRC	**479,316**	262,329	**126,883**	355,506	**606,199**	617,835
Australia	**–**	–	**1,450**	9,234	**1,450**	9,234
The United States of America	**–**	–	**4,269**	19,618	**4,269**	19,618
Canada	**–**	–	**1,290**	1,347	**1,290**	1,347
Taiwan	**–**	–	**6,178**	21,547	**6,178**	21,547
Others	**–**	–	**5,131**	–	**5,131**	–
Consolidated total	**479,316**	262,329	**215,831**	620,246	**695,147**	882,575

In presenting the geographical information, revenue is based on the locations of the customers. All of the Group's non-current assets are located in the PRC.

Revenue from major customers

There are no major customers individually contributing over 10% of the Group's revenue for the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance are as follows:–

For the year ended 31 December 2014

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Cai Zhenrong	–	330	10	–	54	394
Mr. Cai Zhenyao	–	304	–	–	54	358
Mr. Cai Zhenying	–	304	–	–	36	340
Mr. Cai Yangbo	–	1,170	–	–	54	1,224
Mr. Choi Wing Toon	–	325	25	16	36	402
	–	2,433	35	16	234	2,718
Non-executive director						
Mr. Lam Kai Yeung (appointed on 19 December 2014)	–	13	–	–	–	13
	–	13	–	–	–	13
Independent non-executive directors						
Ms. Choy So Yuk, *BBS, JP*	120	–	–	–	54	174
Mr. Lawrence Gonzaga	120	–	–	–	36	156
Mr. Wong Chi Hung Stanley (resigned on 31 July 2014)	120	–	–	–	36	156
Mr. Yuen Chun Fai (appointed on 31 July 2014)	–	–	–	–	–	–
	360	–	–	–	126	486
Total	360	2,446	35	16	360	3,217

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

For the period from 1 October 2012 to 31 December 2013

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Cai Zhenrong	–	433	–	–	231	664
Mr. Cai Zhenyao	–	467	–	–	231	698
Mr. Cai Zhenying	–	379	–	–	77	456
Mr. Cai Yangbo	–	2,250	–	–	231	2,481
Mr. Choi Wing Toon	–	405	54	19	77	555
	–	3,934	54	19	847	4,854
Independent non-executive directors						
Ms. Choy So Yuk, *BBS, JP*	150	–	–	–	154	304
Mr. Lawrence Gonzaga	150	–	–	–	154	304
Mr. Wong Chi Hung Stanley (resigned on 31 July 2014)	150	–	–	–	77	227
	450	–	–	–	385	835
Total	450	3,934	54	19	1,232	5,689

There was no arrangement under which a director waived or agreed to waive any emoluments during the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid individuals in the Group during the year included one (period from 1 October 2012 to 31 December 2013: Nil) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (period from 1 October 2012 to 31 December 2013: five) individuals are set out below:–

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**339**	286
Equity-settled share-based payments	**4,252**	20,255
Retirement benefits scheme contributions	**6**	5
	4,597	20,546

The emoluments fell within the following bands:–

	Number of individuals	
	Year ended 31 December 2014	Period from 1 October 2012 to 31 December 2013
HK$1,000,001 to HK$1,500,000	**4**	–
HK$3,500,001 to HK$4,000,000	**–**	3
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1
	4	5

During the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014, no emoluments were paid or payable by the Group to any of the directors or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS – CONTINUING OPERATIONS

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Actual interest on convertible bonds	**11,118**	5,003
Imputed interest on convertible bonds	**24,261**	17,440
Interest on cash consideration payable for business combination	**971**	1,721
Interest on debentures	**17,075**	7,993
Amortisation of issuing costs for debentures	**7,379**	3,865
Interest on financial liabilities at fair value through profit or loss	**8,901**	–
Other finance costs	**3,037**	1,059
	72,742	37,081

11. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Current tax – the PRC enterprise income tax – provision for the year/period	**9,283**	2,746	**735**	823	**10,018**	3,569
Deferred tax (Note 31)	**(3,127)**	259	**–**	–	**(3,127)**	259
	6,156	3,005	**735**	823	**6,891**	3,828

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong for the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

11. INCOME TAX EXPENSE (continued)

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the British Virgin Islands (the "BVI"), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008. According to the New CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. Pursuant to the relevant PRC tax rules and regulations, the Group's income derived from the teas plantation is subject to preferential income tax rates of 0% – 12.5%.

Pursuant to the New CIT Law and its implementation rules, the gross amount of dividends received by the Company's subsidiaries incorporated in Hong Kong and the BVI from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5% and 10% respectively. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

A reconciliation of income tax expense applicable to profit/(loss) before tax using the applicable rate for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:–

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Profit/(loss) before tax		
– Continuing operations	**(409,448)**	(75,560)
– Discontinued operations	**(401,916)**	(319)
	(811,364)	(75,879)
Tax at the PRC enterprise income tax rate of 25%	**(202,841)**	(18,970)
Tax effect of income that is not taxable	**(69,121)**	(74,433)
Tax effect of expenses that are not deductible	**329,718**	120,879
Tax effect of preferential tax rates for tea plantation in the PRC	**(50,865)**	(23,648)
Income tax expense	**6,891**	3,828

12. LOSS FOR THE YEAR/PERIOD

The Group's loss for the year/period is stated after charging the following:–

	Continuing operation		Discontinued operation		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Amortisation:–						
Technical know-how (included in cost of services provided and costs of sales)	**–**	–	**799**	1,563	**799**	1,563
Trademark (included in selling and distribution expenses)	**5,802**	2,398	**–**	–	**5,802**	2,398
	5,802	2,398	**799**	1,563	**6,601**	3,961
Auditor's remuneration for:–						
Annual audit	**2,000**	2,000	**–**	–	**2,000**	2,000
Accountants' Report on acquisition as disclosed in note 37(b)	**–**	2,291	**–**	–	**–**	2,291
Interim review	**900**	1,480	**–**	–	**900**	1,480
Others	**143**	290	**–**	–	**143**	290
	3,043	6,061	**–**	–	**3,043**	6,061
Cost of inventories sold	**273,628**	151,881	**7,854**	134,164	**281,482**	286,045
Depreciation	**5,796**	1,478	**37,254**	81,461	**43,050**	82,939
Exchange loss, net	**111**	587	**126**	104	**237**	691
Impairment loss on property, plant and equipment	**–**	–	**–**	6,415	**–**	6,415
Loss on disposals of property, plant and equipment	**–**	–	**–**	5,026	**–**	5,026
Property, plant and equipment written off	**4,166**	–	**–**	76	**4,166**	76
Operating lease charges on land and buildings	**2,584**	1,892	**46**	1,298	**2,630**	3,190
Staff costs (excluding directors' remuneration (Note 9)):						
Salaries, bonus and allowances	**14,124**	8,993	**33,475**	77,749	**47,599**	86,742
Retirement benefits scheme contributions	**2,756**	569	**7,026**	19,956	**9,782**	20,525
Equity-settled share-based payments	**13,047**	63,957	**–**	–	**13,047**	63,957
	29,927	73,519	**40,501**	97,705	**70,428**	171,224
Other equity-settled share-based payments	**–**	24,451	**–**	–	**–**	24,451

The cost of inventories sold includes staff costs, depreciation and operating leases charges of approximately HK$51,288,000 (period from 1 October 2012 to 31 December 2013: HK$122,477,000) which are included in the amounts disclosed separately above.

12. LOSS FOR THE YEAR/PERIOD (continued)

Note:–

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,250 before 1 June 2014 and HK$1,500 on or after 1 June 2014 respectively, per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

13. DIVIDENDS

No dividend has been paid or declared by the Company for the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Loss						
Loss attributable to equity shareholders of the Company for the purpose of calculating basic loss per share	**(416,479)**	(78,565)	**(402,651)**	(1,142)	**(819,130)**	(79,707)
Number of shares						
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**13,526,827,984**	5,124,258,288	**13,526,827,984**	5,124,258,288	**13,526,827,984**	5,124,258,288

Weighted average number of ordinary shares

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Issued ordinary shares at the beginning of the year/period	**548,471,549**	259,607,798
Effect of placing of shares	**4,916,495,851**	–
Effect of exercise of share options	**3,061,104,671**	–
Effect of conversion of convertible bonds	**–**	4,516,151,375
Effect of conversion of convertible notes classified as financial liabilities at fair value through profit or loss	**4,405,423,140**	–
Effect of issue of shares for business combination	**595,332,773**	348,499,115
Issued ordinary shares at the end of the year/period	**13,526,827,984**	5,124,258,288

Diluted loss per share has not been disclosed as the effects of all potential ordinary shares are anti-dilutive for the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014..

15. DISCONTINUED OPERATIONS

The shareholders of the Company passed an ordinary resolution at an extraordinary general meeting on 21 August 2014 to discontinue all the businesses of the provision, of fabric processing services and manufacture and sale of fabric, yarns and blankets.

(a) Loss for the year/period for the above discontinued businesses was as follows:–

	Note	**Year ended 31 December 2014 HK$'000**	Period from 1 October 2012 to 31 December 2013 HK$'000
Revenue	6	**215,831**	620,246
Cost of sales and services rendered		**(193,515)**	(547,484)
Gross profit		**22,316**	72,762
Other income	7	**1,789**	4,902
Selling and distribution expenses		**(12,043)**	(25,969)
Administrative expenses		**(27,932)**	(38,618)
Impairment loss on property, plant and equipment		**–**	(5,026)
Other operating expenses		**(167)**	(8,370)
Operating loss		**(16,037)**	(319)
Loss on disposal of subsidiaries (Note 38)	38	**(385,879)**	–
Loss before income tax		**(401,916)**	(319)
Income tax expense	11	**(735)**	(823)
Loss for the year/period		**(402,651)**	(1,142)

15. DISCONTINUED OPERATIONS (continued)

(b) The net cash flows provided by provision of fabric processing services and manufacture and sales of fabrics, yarns and blankets (after elimination of cash flows with continuing operations) were as follows:–

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Operating activities	**74,133**	134,727
Investing activities	**(15,068)**	126,261
Financing activities	**–**	–
Effect of foreign exchange rates charges	**(4,068)**	9,362
	54,997	270,350

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation						
At 1 October 2012	170,613	420,250	681,159	10,157	36,161	1,318,340
Additions from business combination (Note 37(b))	8,824	6,878	3,040	12,033	66,798	97,573
Additions	8,563	938	15,314	84	27	24,926
Transfers	–	828	–	–	(828)	–
Disposals	–	–	(11,862)	–	–	(11,862)
Write-off	–	–	(807)	–	–	(807)
Deficit on revaluation	–	(5,017)	–	–	–	(5,017)
Exchange differences	4,990	10,711	15,709	326	1,170	32,906
At 31 December 2013 and 1 January 2014	192,990	434,588	702,553	22,600	103,328	1,456,059
Additions	–	–	285	794	108	1,187
Transfers from deposits paid (Note 21)	21,571	50,684	–	78,945	–	151,200
Disposals of subsidiaries	(181,669)	(423,963)	(695,233)	(9,958)	(35,957)	(1,346,780)
Write-off	–	–	–	(4,670)	–	(4,670)
Deficit on revaluation	–	(21,174)	–	–	–	(21,174)
Exchange differences	(2,143)	(3,852)	(4,553)	(778)	(821)	(12,147)
At 31 December 2014	**30,749**	**36,283**	**3,052**	**86,933**	**66,658**	**223,675**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation						
At 1 October 2012	11,478	–	227,119	7,145	–	245,742
Charge for the period	4,709	32,367	43,742	2,121	–	82,939
Disposals	–	–	(2,283)	–	–	(2,283)
Write-off	–	–	(587)	–	–	(587)
Write-back on revaluation	–	(32,625)	–	–	–	(32,625)
Exchange differences	328	258	4,997	209	–	5,792
At 31 December 2013 and 1 January 2014	16,515	–	272,988	9,475	–	298,978
Charge for the year	2,111	17,921	19,190	3,828	–	43,050
Disposals of subsidiaries	(17,194)	(16,451)	(290,251)	(8,230)	–	(332,126)
Write-off	–	–	–	(504)	–	(504)
Write-back on revaluation	–	(1,328)	–	–	–	(1,328)
Exchange differences	(592)	(142)	(1,400)	(127)	–	(2,261)
At 31 December 2014	**840**	**–**	**527**	**4,442**	**–**	**5,809**
Accumulated impairment						
At 1 October 2012	–	–	114,627	–	–	114,627
Impairment loss	–	–	5,026	–	–	5,026
Disposals	–	–	(926)	–	–	(926)
Write-off	–	–	(144)	–	–	(144)
Exchange difference	–	–	2,941	–	–	2,941
At 31 December 2013 and 1 January 2014	–	–	121,524	–	–	121,524
Disposals of subsidiaries	–	–	(120,559)	–	–	(120,559)
Exchange difference	–	–	(965)	–	–	(965)
At 31 December 2014	**–**	**–**	**–**	**–**	**–**	**–**
Net book Value						
At 31 December 2014	**29,909**	**36,283**	**2,525**	**82,491**	**66,658**	**217,866**
At 31 December 2013	176,475	434,588	308,041	13,125	103,328	1,035,557

16. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of cost or valuation of the above assets is as follows:–

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost	192,990	–	702,553	22,600	103,328	1,021,471
At valuation	–	434,588	–	–	–	434,588
At 31 December 2013	192,990	434,588	702,553	22,600	103,328	1,456,059
At cost	30,749	–	3,052	86,933	66,658	187,392
At valuation	–	36,283	–	–	–	36,283
At 31 December 2014	**30,749**	**36,283**	**3,052**	**86,933**	**66,658**	**223,675**

At 31 December 2014, the Group's buildings were revalued by BMI, an independent firm of professional valuers, at open market value of approximately HK$36,283,000 (2013: HK$434,588,000). The resulting revaluation surplus of approximately HK$Nil (2013: HK$27,608,000) has been credited to the properties revaluation reserve, and the resulting revaluation deficit of HK$19,846,000 (2013: HK$Nil) has been charged to profit or loss.

Had the Group's buildings been stated at cost less accumulated depreciation and impairment losses, their carrying amounts as at 31 December 2014 would have been approximately HK$55,692,000 (2013: HK$358,812,000).

There were certain buildings of approximately HK$48,953,000 (2013: HK$398,748,000) for which the Group are in the process of obtaining the relevant building ownership certificates. The directors do not foresee any major obstacles to issuing the certificates of the above-mentioned buildings to the Group.

The Group's leasehold land represent land use rights outside Hong Kong under medium-term leases.

At 31 December 2013, the directors considered that there was an indication of impairment for property, plant and equipment as the Group's operating result was worse than expected. BMI was appointed to assess the recoverable amounts of property, plant and equipment, which were based on the fair values less costs to sell. As a result, an impairment loss of HK$5,026,000 was made for the period from 1 October 2012 to 31 December 2013.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2014, the Group's leasehold land with net book value of approximately HK$8,955,000 (2013: HK$168,299,000) represent payments for land use rights in the PRC.

At 31 December 2014, the Group's leasehold land with net book value of approximately HK$Nil (2013: HK$8,176,000) represent leasing a reservoir situated in the PRC from 石獅市鴻山鎮東園村村民委員會.

At 31 December 2014, the Group's leasehold land included certain leasehold land of approximately HK$20,864,000 (2013: HK$102,813,000) for which the Group were in the process of obtaining the relevant land use rights certificates. The directors do not foresee any major obstacles to complete the transfer of the legal title of the above-mentioned land use rights to the Group.

At 31 December 2014, the Group's leasehold land with net book value of HK$8,631,000 (2013: HK$8,967,000) was pledged to banks to secure bank loans of HK$17,500,000 (2013; HK$30,240,000) (Note 26).

Fair value measurement of properties

(a) *Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2014 HK$'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Buildings in the PRC	**36,283**	**–**	**–**	**36,283**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of properties (continued)

(a) Fair value hierarchy (continued)

	Fair value at 31 December 2013 HK$'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Buildings in the PRC	434,588	–	–	434,588

During the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

Buildings in the PRC	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
At the beginning of the year/period	**434,588**	420,250
Additions from business combination (Note 37(b))	**–**	6,878
Additions	**–**	938
Transfer from construction in progress	**–**	828
Transfer from deposits paid (Note 21)	**50,684**	–
Depreciation charge for the year/period	**(17,921)**	(32,367)
Disposals of subsidiaries	**(407,512)**	–
(Deficit)/surplus on revaluation	**(19,846)**	27,608
Exchange adjustment	**(3,710)**	10,453
At the end of the year/period	**36,283**	434,588

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of properties (continued)

(a) Fair value hierarchy (continued)

Surplus on revaluation and exchange adjustment of buildings located in the PRC are recognised in other comprehensive income in "properties revaluation reserve" and "translation reserve", respectively.

During the year ended 31 December 2014, properties revaluation reserve of HK$82,279,000 was transferred directly to retained profits upon disposal of subsidiaries.

(b) Information about Level 3 fair value measurements

The Group's buildings in the PRC were independently valued by BMI. BMI and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments on buildings and construction sites. The professional valuers of BMI involved in this valuation include professional members of MRICS, AICPA and MIPA, as well as charterholders of CFA and FRM. They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets worldwide and have previously performed valuations of industrial buildings, commercial buildings, investment properties and construction sites, etc.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors is a member organisation of the IVSC which encourages their respective members to adopt and use the International Valuation Standards laid down by the IVSC. BMI has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the Group's buildings in the PRC.

Since there are no active markets for the regions that the Group's buildings in the PRC are located, no market price information is available to adopt the market approach. Accordingly, BMI has adopted a replacement cost approach in valuing the Group's buildings in the PRC.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of properties (continued)

(b) Information about Level 3 fair value measurements (continued)

The following steps have been taken for the site inspection of the Group's buildings in the PRC conducted by BMI:

– Verified the physical existence of the buildings;

– Obtained the Land Use Right Certificates of which the buildings are located;

– Assessed the quality and useful life of the building;

– Evaluated the operation of the Group's business.

The fair values of the buildings located in the PRC are determined by depreciated replacement cost approach. Details of key unobservable inputs used in valuing the buildings are as follows:–

	Key unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurements
Buildings	Construction cost per square metre	RMB3,183 to RMB4,440 (2013: RMB650 to RMB1,900)	The estimated fair value increases when the construction cost per square metre increases
	Useful lives of buildings	20 years to 50 years (2013: 10 years to 40 years)	The estimated fair value increases when the useful life of the building increases

17. BIOLOGICAL ASSETS

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
At the beginning of year/period	**323,820**	–
Addition through business combination (Note 37)	**477,500**	340,140
Plantation cost	**96,827**	47,628
Changes in fair value less costs to sell	**57,985**	3,950
Decrease due to harvest	**(133,471)**	(68,912)
Exchange adjustment	**(2,661)**	1,014
At the end of year/period	**820,000**	323,820

(a) Nature of activities

Biological assets represent tea trees in forests located in the PRC, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation. As at 31 December 2014, the Group owned Tea Forest with total cultivable area of 70,912.7 Mu (2013: 29,592.7 Mu). The Group recognises the Tea Forest as a biological asset when, and only when:–

– The Group controls the Tea Forest as a result of past event, which is evidenced by issuance of Forestry Right Certificate by the relevant PRC authority for the purpose of tea plantation;

– It is probable that future economic benefits associated with the Tea Forest will flow to the Group; and

– The fair value or cost of the Tea Forest can be measured reliably.

According to the Forestry Right Certificates issued by the relevant PRC authority, the Group is granted a right to perform tea plantation and harvest within the cultivable area of 70,912.7 Mu (2013: 29,592.7 Mu) for 30 to 40 years.

At 31 December 2014, certain Tea Forest of approximately HK$141,920,000 (2013: HK$138,216,000) with total cultivable area of 12,631 Mu (2013:12,631 Mu) was pledged to secure bank loans of HK$17,500,000 (2013: HK$ 30,240,000) (Note 26).

At 31 December 2014, certain Tea Forest of approximately HK$51,663,000 (2013: HK$Nil) with total cultivable area of 4,598 Mu (2013:Nil) was pledged to secure bills payable of HK$56,250,000 (2013: HK$Nil).

17. BIOLOGICAL ASSETS (continued)

(a) Nature of activities (continued)

The aggregate gains or losses arising from biological assets and agricultural produce from continuing operations during the period since recognition of the Tea Forest as biological assets and completion of business combination on 22 July 2013 and 11 September 2014 as stated in notes 37(b) and 37(a) respectively were as follows:

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Gain on initial recognition of agricultural produce harvested at fair value less costs to sell	**36,644**	21,284
Gain/(loss) arising from change in fair value less costs to sell of biological assets	**21,341**	(17,334)
	57,985	3,950

The estimated quantity and fair value less costs to sell of agricultural produce, representing tea leaves before further processing into raw teas, harvested from tea trees from continuing operations during the reporting period since completion of business combination on 22 July 2013 and 11 September 2014 as stated in notes 37(b) and 37(a) respectively were as follows:–

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Estimated fair value less costs to sell	**133,471**	68,912
Estimated quantity (kg)	**28,146,159**	14,452,790

The Group is exposed to a number of risks related to tea trees plantation:–

(i) *Regulatory and environmental risks*

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The directors are not aware of any environmental liabilities as at 31 December 2013 and 2014.

17. BIOLOGICAL ASSETS (continued)

(a) Nature of activities (continued)

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of tea leave. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

(iii) Climate and other risks

The Group's tea plantation is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has procedures in place aimed at monitoring and mitigating those risks, including regular Tea Forest inspections and pesticide preventions.

(b) Fair value measurement of biological assets

	Fair value at 31 December 2014	**Fair value measurement as at 31 December 2014 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
The Group				
Recurring fair value measurement				
Biological assets	**820,000**	**–**	**–**	**820,000**

	Fair value at 31 December 2013	Fair value measurement as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Recurring fair value measurement				
Biological assets	323,820	–	–	323,820

During the period from 1 October 2012 to 31 December 2013 and year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

17. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Information about Level 3 fair value measurements

	Valuation technique	Key unobservable inputs	Value/range	Inter-relationship between key unobservable inputs and fair value measurements
Biological assets	Multi-period excess earnings method, one of the income approach, which is based on the discounted future cash flows to be generated by the biological assets	Discount rate, determined by Weighted Average Cost Of Capital ("WACC")	17.80% (2013: 18.88%)	The estimated fair value decreases when the discount rate increases
		Expected growth rate	3% (2013: 3%)	The estimated fair value increases when the expected growth rate increases
		Expected life	20 to 24 years (2013: 20 years)	The estimated fair value increases when the expected life increases
		Maximum yield of tea leaves per Mu	200 to 1,450 kg (2013: 500 to 1,450 kg)	The estimated fair value increases when maximum yield per Mu increases
		Average market price of tea leaves per kg	RMB2.40 to RMB162.50 (2013: RMB2.38 to RMB15.60)	The estimated fair value increases when the average market price of tea leaves per kg increases

The Tea Forest was independently valued by BMI. BMI and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving biological assets and agricultural produce. The professional valuers of BMI involved in this valuation include professional members of the MRICS, the AICPA and the MIPA, as well as charterholders of CFA and FRM. They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets worldwide and have previously performed valuations of biological assets and agricultural produce such as forest, rubber tree plantation, jatropha plantation, fruit plantation, etc.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors is a member organisation of the IVSC which encourages their respective members to adopt and use the International Valuation Standards laid down by the IVSC. BMI has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the Tea Forest.

17. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Information about Level 3 fair value measurements (continued)

Since there is no active market for the regions that the Group's Tea Forest is located, no market price information is available to adopt the market approach. Accordingly, BMI has adopted an income approach in valuing the Tea Forest.

The following steps have been taken for the site inspection of the Tea Forest conducted by BMI:

– Verified the physical existence of the Tea Forest;

– Checked the coverage of the plantation area of the Tea Forest;

– Identified the species of the Tea Forest;

– Observed the growth of the Tea Forest;

– Assessed the quality and healthiness of the Tea Forest;

– Measured the density of the plantation of the Tea Forest; and

– Evaluated the operation of the tea plantation.

The followings are the major assumptions used in the valuation:

(a) The Capital Asset Pricing Model has been used to determine a discount rate of 17.80% as at 31 December 2014 (as at 31 December 2013: 18.88%);

(b) The yield per tree, which represents the harvest level of the tea trees, is affected by the age, species and health of the tea trees, as well as the climate, location, soil condition, topography and infrastructure. In general, yield per tree increases from ages 2 to 5 (2013: 2 to 5) and remains stable for remaining years;

(c) The direct production cost, which represents the direct costs necessary to bring the tea leaves to their sale form, includes fertiliser costs, picking fee and management cost of tea farmers. The direct production cost variables are determined with reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously;

17. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Information about Level 3 fair value measurements (continued)

(d) The valuation adopted the market sales prices prevailing as of the end of the reporting periods for each type of tea leaves produced by the Group as the assumed market price;

(e) The market price variables and direct production cost variables in each projected year will increase with reference to the expected inflation rate of 3% (2013: 3%) in the PRC;

(f) Cash flows are calculated from the current rotation of tea trees only, without taking into account the projected revenue or costs related to the re-establishment of new tea trees or any future business activities that may impact the future price or yield of tea leaves harvested from the Group's tea trees;

(g) There are no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other unfavourable natural conditions;

(h) The interest rates will not differ materially from those presently prevailing;

(i) The tea trees are grown with balanced nutrition such that the tea leaves can be harvested in reasonable quality; and

(j) The availability of finance will not be a constraint on the cultivation of tea trees.

17. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in one of the key unobservable inputs, with all other variables held constant, of Group's loss before tax :-

	Year ended 31 December 2014	
Key unobservable inputs	**Percentage increase/ (decrease) in key unobservable inputs**	**(Increase)/ decrease in loss before tax HK$'000**
Discount rate	**10%**	**(61,250)**
	(10%)	**71,250**
Expected growth rate	**10%**	**17,500**
	(10%)	**(16,250)**
Expected life	**10%**	**65,000**
	(10%)	**(71,250)**
Maximum yield of tea leaves per Mu	**10%**	**233,750**
	(10%)	**(233,750)**
Average market price of tea leaves per kg	**10%**	**245,000**
	(10%)	**(245,000)**

	Period from 1 October 2012 to 31 December 2013	
Key unobservable inputs	Percentage increase/ (decrease) in key unobservable inputs	(Increase)/ decrease in loss before tax HK$'000
Discount rate	10%	(21,250)
	(10%)	23,750
Expected growth rate	10%	5,000
	(10%)	(5,000)
Expected life	10%	53,750
	(10%)	(55,000)
Maximum yield of tea leaves per Mu	10%	58,750
	(10%)	(58,750)
Average market price of tea leaves per kg	10%	71,250
	(10%)	(71,250)

18. INTANGIBLE ASSETS

	Trademark HK$'000	Technical know-how HK$'000	Goodwill HK$'000 (Note)	Total HK$'000
Cost				
At 1 October 2012	–	12,289	2,882	15,171
Additions from business combination	41,419	–	2,106,498	2,147,917
Exchange differences	161	311	–	472
At 31 December 2013 and 1 January 2014	41,580	12,600	2,109,380	2,163,560
Disposal of subsidiaries	–	(12,500)	(2,882)	(15,382)
Exchange differences	(330)	(100)	–	(430)
At 31 December 2014	**41,250**	**–**	**2,106,498**	**2,147,748**
Accumulated amortisation				
At 1 October 2012	–	8,970	–	8,970
Charge for the year	2,398	1,563	–	3,961
Exchange differences	17	240	–	257
At 31 December 2013 and 1 January 2014	2,415	10,773	–	13,188
Charge for the year	5,802	799	–	6,601
Disposal of subsidiaries	–	(11,485)	–	(11,485)
Exchange differences	(64)	(87)	–	(151)
At 31 December 2014	8,153	–	–	8,153
Accumulated impairment				
At 1 October 2012, 31 December 2013 and 1 January 2014	–	–	–	–
Impairment loss	–	–	595,498	595,498
As 31 December 2014	**–**	**–**	**595,498**	**595,498**
Carrying amount				
At 31 December 2014	**33,097**	**–**	**1,511,000**	**1,544,097**
At 31 December 2013	39,165	1,827	2,109,380	2,150,372

18. INTANGIBLE ASSETS (continued)

Note:–

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

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Raw teas, refined teas and other related products:–		
China Natural Tea Holdings Company Ltd	**1,511,000**	2,106,498
Provision of fabric processing services:–		
United Glory Development Limited	**–**	2,882
	1,511,000	2,109,380

Raw teas, refined teas and other related products

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year period, as the Group's tea business is currently in an expansion stage that the growth rate is increasing in early years and then the growth rate is expected to be reduced gradually. A steady state of the growth rate is reached not until ten years time. Cash flows beyond the ten-year period are extrapolated using an estimated long term growth rate of 3% (2013: 2.97%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 20.07% (2013: 21.84%). The discount rate used is pre-tax and reflects the specific risks relating to the relevant segment.

The impairment loss of approximately HK$595,498,000 recognised during the year ended 31 December 2014 relates to the operations of raw tea, refined tea and other related products. As the CGU has been reduced to its recoverable amount of approximately HK$2,127,500,000, any change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

Provision of fabric processing services

At 31 December 2013, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 7.66%. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. During the year ended 31 December 2014, the goodwill was disposed upon disposal of subsidiaries as mentioned in note 38.

19. INTERESTS IN AN ASSOCIATE

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Share of net assets of an associate	**105,071**	–

On 27 June 2014, the Group's subsidiary, Fujian Anxi Daping Green Food Technology Co., Ltd. ("Fujian Daping"), as a limited partner, entered into the Partnership Agreement with a general partner and another limited partner pursuant to which all the parties agreed to form the partnership, Beijing Mao Yong Daping Investment Center (Limited Partnership) (the "Partnership").

The Partnership shall have an investment term of 3 years. Upon approval by all the partners, the investment term of the Partnership could be extended for 1 year.

The total capital contribution of the Partnership is approximately RMB278,500,000 (equivalent to approximately HK$348,125,000), of which Fujian Daping contributed RMB81,000,000 (equivalent to HK$101,205,000), representing approximately 29.08% of ownership interest in the Partnership. Thus the Group has significant influence on the Partnership.

The Partnership invested in an investment project by acquiring all the equity interest in a PRC company, Huangshan She County Zhongfuxin Tea Limited ("Zhongfuxin Tea"). Zhongfuxin Tea is principally engaged in sales of raw teas, refined teas and other related products, and has the contractual management rights of lands of an area of approximately 30,000 Mu in Anhui Province, the PRC, pursuant to which the Zhongfuxin Tea could operate all the tea trees on such lands and to derive the incomes therefrom.

The Partnership is accounted for as the Group's associate using the equity method in the consolidated financial statements of the Group.

19. INTERESTS IN AN ASSOCIATE (continued)

Summarised financial information of the Partnership, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Gross amounts of the associate		
Current assets	**8,903**	N/A
Non-current assets	**362,308**	N/A
Current liabilities	**(7,606)**	N/A
Non-current liabilities	**(2,344)**	–
Net assets	**361,261**	N/A

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Revenue	**–**	N/A
Profit and total comprehensive income for the year/period	**13,137**	N/A

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interests in an associate		
Gross amounts of net assets of the associate	**361,261**	N/A
Group's effective interest	**29.08%**	N/A
Group's share of net assets of the associate	**105,071**	–

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
United equity securities, at cost	**–**	1,323

At 31 December 2013, unlisted equity securities with carrying amount of HK$1,323,000 were carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. During the year ended 31 December 2014, the unlisted equity securities were disposed upon disposal of subsidiaries as mentioned in note 38.

21. DEPOSITS PAID

	For potential business combination HK$'000 Notes (a) and (b)	**Property, plant and equipment** HK$'000	**Biological assets** HK$'000 Note (c)	**Total** HK$'000
At 1 October 2012	–	–	–	–
Additions from business combination (Note 37(b))	12,600	31,330	67,463	111,393
Additions for the period	195,300	102,600	–	297,900
Exchange differences	–	890	262	1,152
At 31 December 2013	207,900	134,820	67,725	410,445
Additions for the year	157,500	66,127	–	223,627
Transfer to property, plant and equipment (Note 16)	–	(151,200)	–	(151,200)
Disposal of subsidiaries	–	(24,353)	–	(24,353)
Exchange differences	(2,900)	(394)	(537)	(3,831)
At 31 December 2014	**362,500**	**25,000**	**67,188**	**454,688**

(a) On 2 December 2013 and 30 March 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU A") and a conditional sales and purchase agreement ("S&P A") respectively with Ng Chun Piu ("Vendor A"). Pursuant to the MoU A and S&P A, Vendor A agreed to dispose of and the Group agreed to acquire 100% of the issued share capital of Goodsign International Limited ("Goodsign"). Further to S&P A, Vendor A agreed to dispose of and the Group agreed to acquire an outstanding unsecured and interest-free loan of RMB27,490,000 (equivalent to approximately HK$34,363,000) owed by Goodsign's subsidiary, Fujian Anxi Jinxiang Tea Limited ("Anxi Jinxiang"), to Vendor A. Total consideration in relation to the above acquisition amounted to RMB160,000,000 (equivalent to approximately HK$200,000,000).

21. DEPOSITS PAID (continued)

(a) (continued)

After completion of the acquisition, the Group will own a tea plantation base of approximately 1,500 Mu, certain retail shops and franchised retail shops in Fujian Province, the PRC.

As at 31 December 2014, the Group paid RMB155,000,000 (equivalent to approximately HK$193,750,000) as deposits for such potential business combination.

(b) On 10 December 2013 and 30 March 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU B") and a conditional sales and purchase agreement ("S&P B") respectively with Wang Hui Dong ("Vendor B"). Pursuant to the MoU B and S&P B, Vendor B agreed to dispose of and the Group agreed to acquire 100% of the issued share capital of Greenpost Investments Limited ("Greenpost"). Further to S&P B, Vendor B agreed to dispose of and the Group agreed to acquire an outstanding unsecured and interest-free loan of RMB20,740,000 (equivalent to approximately HK$25,925,000) owed by Greenpost's subsidiary, Xiamen Huidian Design Limited ("Xiamen Huidian"), to Vendor B. Total consideration in relation to the above acquisition amounted to RMB140,000,000 (equivalent to approximately HK$175,000,000).

After completion of the acquisition, the Group will own a sophisticated tea packaging business in Fujian Province, the PRC.

As at 31 December 2014, the Group paid RMB135,000,000 (equivalent to approximately HK$168,750,000) as deposits for such potential business combination.

(c) On 28 September 2012, the Group entered into a sales and purchase agreement ("S&P C") with a vendor ("Vendor C"). Pursuant to the S&P C, Vendor C agreed to dispose of and the Group agreed to acquire a tea forest of approximately 25,000 Mu located in Fujian Province, the PRC, at a consideration of RMB107,500,000. As at 31 December 2014, the Group paid RMB53,750,000 (approximately HK$67,188,000) as deposits for such acquisition of biological assets.

Owing to some administrative difficulties in transferring the Forestry Right Certificate of the biological assets from Vendor C to the Group, on 27 March 2015, the Group entered into a separate agreement with Vendor C to terminate the S&P C. The Group received full refund of deposits of HK$67,188,000 on the same date.

22. OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Lease prepayment (Note (i))	–	5,250
Prepayments for subcontracting charges for cultivation	2,107	2,134
	2,107	7,384

(i) At as 31 December 2013, Lease prepayment represented approximately HK$13,125,000 of total lease charge paid for a land located in the PRC for production purpose up to August 2015, of which the current portion of approximately HK$7,875,000 was classified as current assets under prepayments, deposits and other receivables. During the year ended 31 December 2014, the lease prepayment was disposed upon disposal of subsidiaries.

23. INVENTORIES

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Consumables	–	32,181
Raw materials	18,922	18,705
Work in progress	1,430	432
Finished goods	150,659	158,017
	171,011	209,335

24. TRADE RECEIVABLES

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An aging analysis of trade receivables as at the end of reporting period, based on the date of recognition of the service income or goods sold, is as follows:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
0 – 30 days	**–**	41,298
31 – 60 days	**–**	41,875
61 – 90 days	**–**	44,664
91 – 120 days	**6,178**	24,769
Over 120 days	**14,022**	20,741
	20,200	173,347

As of 31 December 2014, trade receivables of approximately HK$20,200,000 (2013: HK$21,615,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Less than 1 month past due	**–**	12,166
1 to 2 months past due	**–**	3,685
2 to 3 months past due	**–**	1,148
Over 3 months past due	**20,200**	4,616
	20,200	21,615

24. TRADE RECEIVABLES (continued)

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

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
USD	**–**	51,892
RMB	**20,200**	121,455
	20,200	173,347

25. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

At 31 December 2014, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,458,600,000 (2013: approximately HK$978,512,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2014, the pledged deposits of the Group amounted to HK$25,000,000 (2013: HK$37,800,000) were pledged to secure bills payable of HK$56,250,000 (2013: HK$69,300,000) (Note 27).

26. BANK LOANS, SECURED

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Secured short-term loans	**17,500**	30,240

Notes:–

(i) The applicable interest rate per annum as at 31 December 2014 was 7% (2013: 7% to 7.5%) per annum.

(ii) As at 31 December 2014, the above secured bank loans were secured by land use rights held by the Group of HK$8,631,000 (2013: HK$8,967,000) (Note 15), certain Tea Forest held by the Group of HK$141,920,000 (2013: HK$138,216,000) (Note 16) with total cultivable area of 12,631 Mu (2013: 12,631 Mu) and guaranteed by the senior management of the Group, Mr. Cai Yanghang (Note 43).

As at 31 December 2014, the Group's secured bank loans of HK$17,500,000 are subject to the fulfillment of the following financial covenant: to maintain a maximum adjusted debt to assets ratio of a subsidiary of the Tea Group of 70%. If the Group was to breach the above covenant, the secured bank loans would become payable on demand. The Group regularly monitors the compliance with this financial covenant.

In the opinion of the directors, none of the financial covenants had been breached as at 31 December 2014.

27. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Trade payables	**7,826**	33,196
Bills payables	**56,250**	69,300
	64,076	102,496
Receipts in advance, other payables and accruals	**120,734**	439,427
Amount due to a related party – Note (i)	**1,576**	1,588
Amount due to the sole shareholder of the non-controlling interest's shareholder – Note (ii)	**43,636**	–
	230,022	543,511

Note:

(i) The amount is due to Mr. Cai Yanghang, senior management of the Group, which is unsecured, interest-free and repayable on demand.

(ii) The amount is due to Ms. Hoi Sao U, the sole shareholder of Keen Resources Group Limited ("Keen Resources"), which is a non-controlling shareholder of the Group's non-wholly owned subsidiary. The amount is unsecured, interest-free and repayable on demand.

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The Group's bills payables are usually due within 180 days.

27. TRADE AND BILLS PAYABLES AND OTHER PAYABLES (continued)

Aging of trade and bills payables

An aging analysis of the trade and bills payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
0 – 30 days	**6,294**	19,781
31 – 60 days	**–**	7,541
61 – 90 days	**43,750**	51,295
Over 90 days	**14,032**	23,879
	64,076	102,496

At 31 December 2014, bills payable of HK$56,250,000 (2013: HK$69,300,000) were secured by the Group's pledged deposits of HK$25,000,000 (2013: HK$37,800,000) (Note 25) and certain Tea Forest of approximately HK$51,663,000 (2013: HK$Nil) with total cultivable area of 4,598 Mu (2013: Nil). At 31 December 2013, the bills payable of HK$69,390,000 were also secured by guarantees provided by Mr. Cai Yanghang, senior management of the Group (Note 43)

28. CONVERTIBLE BONDS

(a) First and second tranche convertible bonds

On 9 October 2009, the Company and Tanrich Capital Limited (the "Placing Agent") entered into a placing agreement in relation to the placing of convertible bonds (the "Placing Agreement"). Pursuant to the Placing Agreement, the Company issued the three-year 1% coupon convertible bonds (the "Convertible Bonds") up to an aggregate principal amount of HK$150 million. Based upon the initial conversion price of HK$0.28 per conversion share, a total of 535,714,277 shares (with an aggregate nominal value of approximately HK$5,357,000) would be allotted and issued upon the exercise of all the conversion rights attached to the Convertible Bonds.

The placing of the Convertible Bonds (the "First Tranche Bonds") in the principal amount of HK$60,000,000 under the Placing Agreement was completed on 11 February 2010. Based on the conversion price of HK$0.28, a maximum number of 214,285,710 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the First Tranche Bonds in full.

28. CONVERTIBLE BONDS (continued)

(a) First and Second tranche convertible bonds (continued)

The placing of the Convertible Bonds (the "Second Tranche Bonds") in the principal amount of HK$90,000,000 under the Placing Agreement was completed on 20 April 2010. Based on the conversion price of HK$0.28, a maximum number of 321,428,567 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Second Tranche Bonds in full.

Any outstanding amount of the Convertible Bonds can be converted at any time after the date of issue of the Convertible Bonds at a conversion price of HK$0.28.

On 10 April 2012, a supplemental deed poll was executed by the Company. Details of the modification of the First Tranche Bonds and the Second Tranche Bonds (the "modified Convertible Bonds") are set out as follows:–

(i) conversion price was reduced from HK$0.28 to HK$0.18;

(ii) coupon rate was reduced to 0% per annum; and

(iii) the final maturity date was extended to 11 February 2016.

The modification resulted in the extinguishment of the financial liability of First Tranche Bonds and Second Tranche Bonds and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$120,423,000. The financial liability was determined using an effective interest rate of 5.90%.

As a result of the modification, a loss of approximately HK$1,943,000 was recognised during the year ended 30 September 2012, which represented the amount by which the fair value of the original liability component exceeded the carrying amount of the original liability component derecognised at the date of modification.

28. CONVERTIBLE BONDS (continued)

(a) First and Second tranche convertible bonds (continued)

The following table details the exercise of conversion rights attaching to the modified Convertible Bonds during the period from 1 October 2012 to 31 December 2013:–

Date of conversion	Principal amount converted HK$'000	No. of shares allotted and issued
First Tranche Bonds		
25 February 2013	4,000	22,222,220
12 July 2013	20,000	111,111,110
5 August 2013	12,000	66,666,665
17 September 2013	20,000	111,111,110
8 October 2013	4,000	22,222,220
	60,000	333,333,325
Second Tranche Bonds		
21 December 2012	2,000	11,111,111
7 January 2013	11,000	61,111,110
23 January 2013	3,000	16,666,665
12 July 2013	38,000	211,111,109
5 August 2013	16,000	88,888,885
17 September 2013	20,000	111,111,110
	90,000	499,999,990
	150,000	833,333,315

All of the modified Convertible Bonds were converted into ordinary shares during the period from 1 October 2012 to 31 December 2013.

28. CONVERTIBLE BONDS (continued)

(b) Third and fourth tranche convertible bonds

On 22 July 2013, the Company issued two tranches of convertible bonds with principal amount of HK$336,820,000 ("Third Tranche Bonds") and HK$277,950,000 ("Fourth Tranche Bonds") respectively, aggregated to HK$614,770,000, for business combination (Note 37(b)). The following details the above convertible bonds issued to the bondholders:–

Third Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Exalt Wealth Limited ("Exalt Wealth")	65,010	0%	21 July 2017	0.1768
Smart Fujian Group Limited ("Smart Fujian")	226,660	0%	21 July 2017	0.1768
Shine Strategy Limited ("Shine Strategy")	45,150	0%	21 July 2017	0.1768
	336,820			

Fourth Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Teya Holdings Limited ("Teya")	131,450	4%	31 December 2015	0.1768
Templeton Strategic Emerging Markets Fund III, LDC ("Templeton")	65,730	4%	31 December 2015	0.1768
Great Vantage International Limited ("Great Vantage")	54,950	4%	31 December 2015	0.1768
Ample Gold International Limited ("Ample Gold")	25,820	4%	31 December 2015	0.1768
	277,950			

28. CONVERTIBLE BONDS (continued)

(b) Third and fourth tranche convertible bonds (continued)

The Third and Fourth Tranche Bonds can be converted into ordinary shares at any time after the date of issue. The conversion price of HK$0.1768 is subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues. Details of the convertible bonds are set out in the circular of the Company dated 28 June 2013.

The following table details the exercise of conversion rights attaching to the Third Tranche Bonds during the year ended 31 December 2014:–

Date of conversion	Principal amount converted HK$'000	No. of shares allotted and converted
Third Tranche Bonds		
28 July 2014	65,010	367,703,620
8 August 2014	47,778	270,237,420
25 September 2014	45,150	255,373,303
	157,938	893,314,343

(c) Liability and equity components of convertible bonds

The principal amounts of the convertible bonds have been split into the liability component and equity component and the movements are as follows:–

Liability component

	First Tranche Bonds HK$'000	Second Tranche Bonds HK$'000	Third Tranche Bonds HK$'000	Fourth Tranche Bonds HK$'000	Total Bonds HK$'000
At 1 October 2012	49,329	73,994	–	–	123,323
Liability component at initial recognition	–	–	248,774	259,637	508,411
Imputed interest	2,461	3,242	8,584	3,153	17,440
Actual interest	–	–	–	5,003	5,003
Conversion of convertible bonds	(51,790)	(77,236)	–	–	(129,026)
At 31 December 2013 and 1 January 2014	–	–	257,358	267,793	525,151
Imputed interest	–	–	16,961	7,300	24,261
Actual interest	–	–	–	11,118	11,118
Interest paid	–	–	–	(3,513)	(3,513)
Conversion of convertible bonds	–	–	(126,827)	–	(126,827)
At 31 December 2014	**–**	**–**	**147,492**	**282,698**	**430,190**

28. CONVERTIBLE BONDS (continued)

(c) Liability and equity components of convertible bonds (continued)

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Analysed as:		
Current liabilities	**282,698**	–
Non-current liabilities	**147,492**	525,151
	430,190	525,151

Equity component

	First Tranche Bonds HK$'000	Second Tranche Bonds HK$'000	Third Tranche Bonds HK$'000	Fourth Tranche Bonds HK$'000	Total Bonds HK$'000
At 1 October 2012	9,331	13,995	–	–	23,326
Equity component at initial recognition	–	–	155,178	123,721	278,899
Conversion of convertible bonds	(9,331)	(13,995)	–	–	(23,326)
At 31 December 2013 and 1 January 2014	–	–	155,178	123,721	278,899
Conversion of convertible bonds	–	–	(72,764)	–	(72,764)
At 31 December 2014	–	–	82,414	123,721	206,135

The interest charged of First Tranche Bonds for the last period before modification is calculated by applying an effective interest rate of 7.847% per annum to the liability component.

The interest charged of Second Tranche Bonds for the last period before modification is calculated by applying an effective interest rate of 7.317% per annum to the liability component.

The interest charged of the modified Convertible Bonds for the period/year is calculated by applying an effective interest rate of 5.90% per annum to the liability component.

The interest charged of Third Tranche Bonds for the period is calculated by applying an effective interest rate of 7.709% per annum to the liability component.

The interest charged of Fourth Tranche Bonds for the period is calculated by applying an effective interest rate of 7.058% per annum to the liability component.

29. DEBENTURES

At 31 December 2014, the Company issued unlisted debentures of HK$473,000,000 (2013: HK$193,000,000) to independent third parties at face value with issuing costs of HK$24,200,000 (2013: HK$10,980,000).

Details of debentures issued and outstanding as at 31 December 2013 and 2014 are as follows:

	Principal amount		Issuing cost					Carrying amount	
	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000	**Duration**	**Coupon interest rate**	**Effective interest rate**	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
Tranche 1	**200,000**	193,000	**11,400**	10,980	2 years	6%	6.00%-9.43%	**198,226**	185,885
Tranche 2	**45,000**	–	**2,600**	–	8 years	5%	5.80%-5.96%	**42,772**	–
Tranche 3	**50,000**	–	**2,900**	–	4 years	6%	7.49%-7.80%	**47,421**	–
Tranche 4	**100,000**	–	**5,400**	–	2 years	5.5%	5.50%-8.91%	**95,500**	–
Tranche 5	**10,000**	–	**100**	–	8 years	5%	5.16%	**9,906**	–
Tranche 6	**28,000**	–	**1,200**	–	8 years	6%	6.00%-7.01%	**26,819**	–
Tranche 7	**20,000**	–	**–**	–	8 years	6%	6.00%	**20,000**	–
Tranche 8	**10,000**	–	**600**	–	2 years	6%	9.43%	**9,400**	–
Tranche 9	**10,000**	–	**–**	–	8 years	6%	6.00%	**10,000**	–
	473,000	193,000	**24,200**	10,980				**460,044**	185,885

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Analysed as:		
Current liabilities	**191,461**	–
Non-current liabilities	**268,583**	185,885
	460,044	185,885

The debentures were initially recognised at their principal amounts less issuing costs and subsequently measured at amortised cost using the effective interest method.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 28 January 2014, the Company issued 3-year 4% per annum CN with principal amount of HK$253,000,000 together with warrants (the "Warrant") to Asia Equity Value LTD ("the Holder").

The CN can be converted into ordinary shares at any time after the date of issue at HK$0.21 per share. The conversion price of HK$0.21 is subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the CN.

Starting from the six-month from the date of issue of the CN, the Company shall redeem the outstanding principal amount of the CN, per quarterly basis, at an amount of equal to 100% of the principal amount of HK$23,000,000 each time, up to the third anniversary of the date of issue of the CN.

The Warrant can be exercised at any time after six months from the date of issue to subscribe up to a total of 506,000,000 shares at exercise price of HK$0.26 per share, which is subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the Warrant. The Warrant will expire on 28 July 2019.

On 11 September 2014, the Company issued 2,160,000,000 consideration shares (the "Consideration Shares") at issue price of HK$0.15 per share for business combination (Note 37(a)). As a result of the issue of such Consideration Shares, on 11 September 2014, the following adjustments were made:

– Pursuant to section 7(d)(10) of the terms and conditions of the CN, the conversation price was adjusted from HK$0.21 to HK$0.15 per conversion share; and

– Pursuant to section 4A(9) of the terms and conditions of the Warrant, the exercise price was adjusted from HK$0.26 to HK$0.15 per warrant share.

The CN and Warrant are designated as financial liabilities at fair value through profit or loss upon initial recognition and subsequently measured at fair value at the end of each reporting period with changes in fair value recognised in the profit or loss.

During the year, the Company redeemed HK$46,000,000 of CN at face value.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The movements of the CN and Warrant (balance of level 3 fair value measurement) during the year are set out below:–

	CN HK$'000	Warrant HK$'000	Total HK$'000
Issued during the year	222,736	30,264	253,000
Redemption during the year	(46,000)	–	(46,000)
Fair value loss/(gain) during the year	54,604	(21,213)	33,391
At 31 December 2014	231,340	9,051	240,391

	At 31 December 2014	At 31 December 2013
Analysed as:–		
Current liabilities	**130,323**	–
Non-current liabilities	**110,068**	–
	240,391	–

31. DEFERRED TAX LIABILITIES

(a) An analysis of deferred tax in the consolidated statement of financial position is as follows:–

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Deferred tax assets	**5,042**	738
Deferred tax liabilities	**(21,834)**	(46,566)
	(16,792)	(45,828)

(b) The following are the major deferred tax liabilities/(assets) recognised by the Group:

	Tax loss available for offsetting against future taxable profit HK$'000	Fair value change of biological assets HK$'000	(Accelerated)/ decelerated tax allowance HK$'000	Revaluating of buildings HK$'000	Others HK$'000	Total HK$'000
At 1 October 2012	–	–	–	23,845	–	23,845
Additions from business combination (Note 37(b))	(2,884)	7,740	10,085	–	(789)	14,152
Charge to other comprehensive income for the period	–	–	–	6,902	–	6,902
Charge/(credit) to profit or loss for the period (Note 11)	2,872	(2,188)	(473)	–	48	259
Exchange differences	12	14	36	605	3	670
At 31 December 2013 and 1 January 2014	–	5,566	9,648	31,352	(738)	45,828
Additions from business combination (Note 37(a))	–	5,455	–	–	–	5,455
Charge to other comprehensive income for the year	–	–	–	–	–	–
Charge/(credit) to profit or loss for the year (Note 11)	–	2,668	(6,679)	–	884	(3,127)
Disposal of subsidiaries (Note 38)	–	–	–	(30,885)	–	(30,885)
Exchange differences	–	(58)	(63)	(358)	–	(479)
At 31 December 2014	**–**	**13,631**	**2,906**	**109**	**146**	**16,792**

(c) At the end of reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$1,264,521,000 (2013: HK$1,092,791,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL AND CAPITAL MANAGEMENT

	At 31 December 2014		At 31 December 2013	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**80,000,000,000**	**800,000**	20,000,000,000	200,000

	Year ended 31 December 2014		Period from 1 October 2012 to 31 December 2013	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary shares, issued and fully paid:				
At the beginning of year/period	**11,776,006,798**	**117,760**	1,446,838,580	14,468
Issue of shares for business combination (Note 37)	**2,160,000,000**	**21,600**	9,495,834,903	94,958
Conversion of convertible bonds (Note 26)	**893,314,343**	**8,933**	833,333,315	8,334
Placing of shares	**600,000,000**	**6,000**	–	–
Shares issued on exercise of share options granted during the year	**348,228,000**	**3,482**	–	–
At the end of year/period	**15,777,549,141**	**157,775**	11,776,006,798	117,760

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

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

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

33. SHARE-BASED PAYMENTS

Equity-settled share option schemes

On 24 February 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 and the adoption of an new share option scheme (the "Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors (including independent non-executive directors), employees of the Group, suppliers of goods or services, customers, persons or entities providing research, development or other technological support to the Group, and any non-controlling shareholders in the Company's subsidiaries. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares on the date of the offer of the grant.

Details of the options granted are as follows:–

Date of grant	Vesting date	Exercise period	Exercise price HK$
11 May 2009	11 May 2009	11 May 2009 to 10 May 2014	0.255
1 March 2010	1 March 2010	1 March 2010 to 28 February 2015	0.520
4 April 2011	4 April 2011	4 April 2011 to 3 April 2016	0.400
24 October 2013	24 October 2013	24 October 2013 to 23 October 2018	0.2538
20 May 2014	20 May 2014	20 May 2014 to 19 May 2019	0.1036

If the options remain unexercised after an exercise period from the date of grant, the options expire.

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

Details of the share options outstanding during the period/year are as follows:–

	Year ended 31 December 2014		Period from 30 September 2012 to 31 December 2013	
	Number of share options	**Weighted Average Exercise price HK$**	Number of share options	Weighted Average Exercise price HK$
Outstanding at the beginning of the year/period	**1,536,060,000**	**0.2838**	362,260,000	0.381
Granted during the year/period	**369,544,000**	**0.1036**	1,175,000,000	0.2538
Exercised during the year/period	**(348,228,000)**	**0.1036**	–	–
Lapsed during the year/period	**(125,920,000)**	**0.2538**	(1,200,000)	0.400
Outstanding at the end of the year/period	**1,431,456,000**	**0.2837**	1,536,060,000	0.2838
Exercisable at the end of the year/period	**1,431,456,000**	**0.2837**	1,536,060,000	0.2838

The weighted average share price of 348,228,000 share options exercised at the date of exercise was HK$0.1264 per share.

At 31 December 2014, the options outstanding have a weighted average remaining contractual life of 3.33 years (2013: 3.99 years) and the exercise prices range from HK$0.1036 to HK$0.52 (2013: HK$0.2538 to HK$0.52). The estimated fair value of the options granted on 24 October 2013 and 20 May 2014 are approximately HK$89,640,000 ("Option 2013") and HK$13,407,000 ("Option 2014") respectively.

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

For Option 2013 and Option 2014, the fair value was calculated by BMI using the Binomial Model. The inputs into the model were as follows:–

	Option 2014
Fair value at measurement date	**HK$13,407,000**
Weighted average share price	**HK$0.1030**
Weighted average exercise price	**HK$0.1036**
Expected volatility	**40.67%**
Expected life	**5 years**
Risk fee rate	**1.20%**
Expected dividend yield	**Nil**

	Option 2013
Fair value at measurement date	HK$89,640,000
Weighted average share price	HK$0.2470
Weighted average exercise price	HK$0.2538
Expected volatility	43.05%
Expected life	5 years
Risk fee rate	0.93%
Expected dividend yield	2.45%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years for Option 2013 and Option 2014.

During the period from 1 October 2012 to 31 December 2013, certain share options granted to those persons that provide business development services to the Group were incentives for helping the Group expanding its business network, exploring and acquiring new business opportunities and projects. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options valued on grant date.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Investments in subsidiaries	**351,052**	1,080,452
Due from subsidiaries (note)	**3,940,131**	3,968,957
Other current assets	**134**	1,125
Due to subsidiaries (note)	**–**	(726,563)
Convertible bonds	**(430,190)**	(525,151)
Financial liabilities of fair value through profit or loss	**(240,391)**	–
Debentures	**(460,044)**	(185,885)
Other current liabilities	**(27,752)**	(17,056)
NET ASSETS	**3,132,940**	3,595,879
Capital and reserves		
Share capital	**157,775**	117,760
Reserves	**2,975,165**	3,478,119
TOTAL EQUITY	**3,132,940**	3,595,879

Note:–

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

35. RESERVES (continued)

(b) Company

	Share premium HK$'000 (Note 33(c)(i))	Share-based payment reserve HK$'000 (Note 33(c)(iii))	Convertible bonds reserve HK$'000 (Note 26)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 October 2012	633,071	48,555	23,326	76,279	781,231
Total comprehensive loss for the period	–	–	–	(61,848)	(61,848)
Issue of shares for business combination (Note 37(b))	2,269,505	–	–	–	2,269,505
Equity component of convertible bonds for business combination (Notes 28(b) and 37(b))	–	–	278,899	–	278,899
Conversion of convertible bonds (Note 28(b))	144,018	–	(23,326)	–	120,692
Lapsed of share options granted in prior years	–	(184)	–	184	–
Equity-settled share-based transactions	–	89,640	–	–	89,640
At 31 December 2013 and 1 January 2014	3,046,594	138,011	278,899	14,615	3,478,119
Total comprehensive loss for the year	–	–	–	(987,009)	(987,009)
Placing of shares	102,000	–	–	–	102,000
Issue of shares for business combination (Note 37(a))	218,160	–	–	–	218,160
Conversion of convertible bonds (Note 28(b))	190,658	–	(72,764)	–	117,894
Lapsed of share options granted in prior years	–	(11,220)	–	11,220	–
Equity-settled share-based transactions	–	13,407	–	–	13,407
Exercise of share options granted during the year	45,228	(12,634)	–	–	32,594
At 31 December 2014	**3,602,640**	**127,564**	**206,135**	**(961,174)**	**2,975,165**

35. RESERVES (continued)

(b) Company (continued)

Loss attributable to the shareholder of the Company includes a loss approximately HK$130,966,000 (2013: approximately HK$61,848,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amounts to the Company's loss for the year/period:

	Year ended 31 December 2014 HK$'000	Period from 31 December 2013 HK$'000
Amount of consolidated loss attributable to the shareholder dealt with in the Company's financial statements	**(130,966)**	(61,848)
Waiver of amounts due to subsidiaries	**749,225**	–
Written off of investments in subsidiaries	**(729,400)**	–
Written off of amounts due from subsidiaries	**(875,868)**	–
Company's loss for the year/period	**(987,009)**	(61,848)

(c) Nature and purpose of reserves

(i) Share premium

The share premium account of the Company includes: (i) the premium arising from the new issue of shares; and (ii) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

35. RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(i) Share premium (continued)

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

(ii) Properties revaluation reserve

The properties revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3(e) to the consolidated financial statements.

(iii) Share-based payment reserve

The share-based payment reserve of the Company and the Group arise on the grant of share options to the directors, employees and other business associates under the Schemes. Further information about share-based payments to the directors, employees and other business associates was set out in note 33 to the consolidated financial statements. The fair value of the actual or estimated number of unexercised share options granted to the directors and employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(r) to the consolidated financial statements.

(iv) Translation reserve

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

36. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:–

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held				
Treasure Wealth Assets Limited	BVI	600 ordinary shares of US$1 each	100%	Investment holding
Indirectly held				
Huafeng Knitting Co., Ltd. Shishi City, Fujian	PRC	Registered capital and paid-up capital of RMB105,000,000	100%	Provision of fabric processing services, manufacture and sale of fabrics
Powerful China Development Limited	Hong Kong	100 ordinary shares	100%	Provision of administrative services to group companies
Huafeng Trading Macao Commercial Offshore Limited*	Macau	MOP100,000	100%	Provision of fabric processing services
Fujian Fenghua Textile Co., Ltd.*	PRC	Registered capital and paid-up capital of US$25,000,000	100%	Manufacture and sale of yarns
Jiangxi Fenghua Textile Co., Ltd.*	PRC	Registered capital and paid-up capital of HK$55,000,000	100%	Provision of fabric processing services
Shishi Huarun Knitting & Dyeing Co., Ltd.*	PRC	Registered capital and paid-up capital of US$10,000,000	100%	Manufacture and sale of blankets

36. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Fujian Daping	PRC	Registered capital and paid-up capital of RMB1,200,000	100%	Sales of raw teas in the PRC
Fujian Nature Tea Science and Technology Co., Ltd	PRC	Registered capital and paid-up capital of HK$193,663,000	100%	Sales of refined teas and/or other related products in the PRC
Quanzhou Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Xiamen Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Fujian Huidian Packing Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Liaoning Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Shaanxi Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Chongqing Shengfang Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC

* These subsidiaries were disposed on 21 August 2014 (Note 38).

The above list contains the particulars of subsidiaries, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37. BUSINESS COMBINATION

(a) On 11 September 2014, the Group completed the acquisition of 90% equity interest in Ever Reliance Asia Limited and its subsidiaries (collectively referred to as the "Anhui Tea Group") from Keen Resources and 90% of the HK$436,360,000 outstanding unsecured and interest-free loan to be owed by the Anhui Tea Group (the "NCI Loan") as mentioned in note 27(ii) to Ms. Hoi Sao U, the sole shareholder of Keen Resources, at a total consideration of HK$405,000,000. The consideration is satisfied by:–

– Cash consideration of HK$81,000,000; and

– Allotment and issue of 2,160,000,000 Consideration Shares at issue price of HK$0.15 per share.

Anhui Tea Group is engaged in the operation of sales of raw teas and refined teas and other related products.

The directors believe that through the acquisition of the Anhui Tea Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

The fair value of net identifiable assets acquired and liabilities assumed in the above acquisition were as follows:–

	Notes	HK$'000
Net identifiable assets acquired and liabilities assumed:–		
Biological assets	17	477,500
Other receivables		2,890
Deferred tax liabilities	31	(5,455)
Amount due to the sole shareholder of the non-controlling interest's shareholder	27	(436,360)
Total net identifiable assets acquired and liabilities assumed		38,575
Non-controlling interests		(3,858)
Gain on bargain purchase of interest in subsidiaries		(106,681)
		(71,964)
Consideration for acquisition of subsidiaries satisfied by:–		
– Consideration Shares		239,760
– Cash consideration		81,000
		320,760
Less: acquisition of 90% of the NCI Loan		(392,724)
Consideration for acquisition of subsidiaries		(71,964)
Net cash outflow arising from business combination:–		
Cash consideration paid		(81,000)

37. BUSINESS COMBINATION (continued)

(a) (continued)

The Consideration Shares were measured at fair value based on the closing price of HK$0.111 on 11 September 2014, the date of acquisition.

The gain on bargain purchase of HK$106,681,000 was primarily attributable to the decrease in fair value of Consideration Shares during the period from conclusion of the acquisition agreement to the date of the acquisition.

Acquisition related costs amounting to approximately HK$330,000 were included in administrative expenses in the profit or loss.

The Anhui Tea Group contributed net profit of approximately HK$26,250,000 and revenue of HK$Nil to the Group's loss and revenue for the year ended 31 December 2014 respectively for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2014, the Group's loss and revenue for the year ended 31 December 2014 would be approximately HK$818,255,000 and HK$695,147,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 January 2014, nor was it intended to be a projection of future results.

(b) On 22 July 2013, the Group completed the acquisition of the entire equity interest in China Natural Tea Holdings Company Limited and its subsidiaries (collectively referred to as the "Tea Group") from Ample Gold, Exalt Wealth, Great Vantage, Shine Strategy, Smart Fujian, Templeton and Teya, at a total consideration of HK$2,487.48 million. The consideration is satisfied by:–

– Cash consideration of HK$193,850,000, of which 50% was settled at the completion of the acquisition, and the remaining 50% will be settled six months after the completion of the acquisition and bear interest at 4% per annum;

– Allotment and issue of 9,495,834,903 consideration shares at issue price of HK$0.1768 per share; and

– Issue of convertible bonds with principal amount of HK$614,770,000.

37. BUSINESS COMBINATION (continued)

(b) (continued)

Tea Group is engaged in the operation of sales of raw teas and refined teas and other related products.

The directors believe that through the acquisition of the Tea Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

The fair value of net identifiable assets acquired and liabilities assumed in the above acquisition were as follows:–

	Notes	HK$'000
Net assets acquired:–		
Property, plant and equipment	16	97,573
Biological assets	17	340,140
Intangible assets	18	41,419
Deposits paid	21	111,393
Prepayment		2,129
Deferred tax assets	31	3,673
Inventories		19,281
Trade and bills receivables		70,315
Deposits, prepayments and other receivables		8,664
Pledged bank deposits		31,378
Cash and bank balances		708,404
Trade and bills payables		(88,070)
Other payables and accruals		(34,109)
Bank loans, secured		(42,674)
Current tax liabilities		(12,566)
Deferred tax liabilities	31	(17,825)
		1,239,125

37. BUSINESS COMBINATION (continued)

(b) (continued)

	HK$'000
Goodwill on acquisition of interest in subsidiaries	2,106,498
	3,345,623
Consideration for acquisition of subsidiaries	
Satisfied by:–	
– Convertible bonds	787,310
– Consideration shares	2,364,463
– Cash consideration	193,850
Total	3,345,623
Net cash inflow arising from business combination:–	
Cash consideration	(193,850)
Consideration payable included in other payables and accruals	96,925
Cash consideration paid	(96,925)
Cash and bank balances acquired	708,404
	611,479

The consideration shares were measured at fair value based on the closing price of HK$0.249 on 22 July 2013, the date of acquisition.

The goodwill of HK$2,106,498,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements included expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill is the deductible for income tax purpose.

37. BUSINESS COMBINATION (continued)

(b) (continued)

Acquisition related costs amounting to approximately HK$12,950,000 were included in administrative expenses in the profit or loss.

The Tea Group contributed net profits of approximately HK$96,573,000 and revenue of approximately HK$262,329,000 to the Group's profit and revenue respectively for the period between the date of acquisition and 31 December 2013.

Had the acquisition been completed on 1 October 2012, the Group's profit and revenue for the period from 1 October 2012 to 31 December 2013 would be approximately HK$69,106,000 and HK$1,299,593,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 October 2012, nor was it intended to be a projection of future results.

38. DISPOSALS OF SUBSIDIARIES

On 21 August 2014, the Group disposed of its subsidiaries which are principally engaged in provision of fabric processing services and manufacture and sale of fabric, yarns and blankets (the "Disposal Group") at a consideration of HK$216 million. The consideration is satisfied in the following manner:–

- payment of a deposit of HK$43.2 million upon entering into the disposal agreement;
- payment of a deposit of HK$86.4 million within 5 days upon the passing by the shareholders at the Extraordinary General Meeting of an ordinary resolution to approve the disposal agreement and the transactions contemplated thereunder; and
- payment of the remaining balance of HK$86.4 million upon the completion of the disposal agreement.

38. DISPOSALS OF SUBSIDIARIES (continued)

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	894,095
Intangible assets	3,897
Available-for-sale financial assets	1,313
Inventories	38,093
Trade receivables	131,820
Deposits, prepayments and other receivables	103,923
Cash and bank balances	23,878
Trade payables	(6,421)
Other payables and accruals	(300,358)
Current tax liabilities	(14,452)
Deferred tax liabilities	(30,885)
Amount due to the Group's companies	(541,998)
Net assets disposed of	302,905
Release of foreign currency translation reserve	(243,754)
Waiver of receivables from the Disposal Group	541,998
Direct cost to the disposal	730
Loss on disposal of subsidiaries	(385,879)
Total consideration	216,000
Total consideration – satisfied by:	
– Cash	129,600
– Consideration receivable	86,400
	216,000
Net cash inflow arising on disposal:	
Cash consideration received	129,600
Cash paid for direct cost	(730)
Cash and cash equivalents disposed of	(23,878)
	104,992

39. NON-CONTROLLING INTERESTS

The summarised financial information of Ever Reliance that has non-controlling interests that are material to the Group are set out below. The summarised financial information presented below represents the amounts before any inter-company elimination.

Summarised statements of financial position

	At 31 December 2014 HK$'000
Non-current assets	487,500
Current assets	2,890
Current liabilities	(436,410)
Non-current liabilities	(6,705)
Total current net assets and net assets	47,275

Summarised statements of profit or loss

	Period from 11 September 2014 to 31 December 2014 HK$'000
Revenue	–
Profit and total comprehensive income for the year	8,750
Profit allocated to the non-controlling interest	875

39. NON-CONTROLLING INTERESTS (continued)

Summarised statements of cash flows

During the year ended 31 December 2014, Ever Reliance did not have any cash flows from operating, investing and financing activities. As at 31 December 2014, Ever Reliance did not have any cash and cash equivalents.

40. MAJOR NON-CASH TRANSACTIONS

(a) As disclosed in note 37(b), on 22 July 2013, the Group completed the acquisition of the entire equity interest in the Tea Group. The consideration is partially satisfied by the allotment and issue of 9,495,834,903 consideration shares at issue price of HK$0.1768 per share, and issue of convertible bonds with principal amount of HK$614,770,000.

(b) As disclosed in note 28(a), during the period from 1 October 2012 to 31 December 2013, the First Tranche Bonds and Second Tranche Bonds with principal amounts of HK$150,000,000 were converted into 833,333,315 ordinary shares of the Company.

(c) As disclosed in note 33, on 24 October 2013, the Group granted 1,175,000,000 share options with fair value of approximately HK$89,640,000 to certain directors, employees and business consultants. The share options were vested on the grant date.

(d) As disclosed in note 33, on 20 May 2014, the Group granted 369,544,000 share options with fair value of approximately HK$13,407,000 to certain directors and employees. The share options were vested on the grant date.

(e) As disclosed in note 28(b), during the year ended 31 December 2014, the Third Tranche Bonds with principal amounts of HK$157,938,000 were converted into 893,314,343 ordinary shares of the Company.

(f) As disclosed in note 37(a), on 11 September 2014, the Group completed the acquisition of 90% equity interest in Anhui Tea Group. The consideration is partially satisfied by the allotment and issue of 2,160,000,000 consideration shares at issue price of HK$0.15 per share.

41. CONTINGENT LIABILITIES

As at 31 December 2013 and 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

42. COMMITMENTS

(a) Operating lease arrangements

As lessee

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases for leasehold land and buildings payable as follows:

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Within one year	**284**	1,326
In the second to fifth years, inclusive	**–**	36
	284	1,362

Operating lease payments represent rentals payable by the Group for certain of its offices, factory and warehouse. Leases are negotiated for terms ranging from 2 to 3 years (2013: 2 to 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

42. COMMITMENTS (continued)

(b) Capital commitments

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

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Authorised but not contracted for:–		
Potential business combination	–	170,100
Contracted but not provided for:–		
Construction of buildings	27,772	28,449
Investment in Sino-Korean Health Industry Merger & Acquisition Fund as detailed in the Company's announcement dated 23 December 2014	232,500	–
Potential business combination	12,500	–
Purchase of plant and machinery	–	145
Purchase of land and buildings	–	54,051
Purchase of biological assets	67,188	67,725
	339,960	150,370
	339,960	320,470

(c) Other commitments

At the end of the reporting period, the Group had outstanding commitment in respect of purchase of raw materials amounting to HK$Nil (2013: 24,779,000).

43. RELATED PARTY TRANSACTIONS

As disclosed in note 37(b), on 22 July 2013, the Group completed the acquisition of the entire equity interest in the Tea Group from seven vendors, of which, the following vendors are related parties to the Group:–

– Exalt Wealth is wholly owned by Mr. Cai Zhenyao, the executive director of the Group; and

– Smart Fujian has a sole beneficial owner, Mr. Cai Zhenrong, the executive director of the Group.

At 31 December 2014, the Group's secured bank loans of HK$17,500,000 (2013: HK$30,240,000) and bills payables of HK$Nil (2013: HK$69,300,000) were guaranteed by Mr. Cai Yanghang, senior management of the Group.

As disclosed in note 27, at 31 December 2014, the Group had amount due to Mr. Cai Yanghang, of HK$1,576,000 (2013: 1,588,000) which is unsecured, interest free and repayable on demand.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the directors as disclosed in note 9 is as follows:–

	Year ended 31 December 2014 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000
Salaries, allowances and other benefits in kind	**2,584**	3,997
Discretionary bonus	**35**	54
Contributions to defined contribution plan	**68**	20
Equity-settled share-based payments	**234**	847
	2,921	4,918

44. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2015, the conversion price of the CN was adjusted from HK$0.15 to HK$0.08 pursuant to paragraph 7(a)(iii) of the terms and conditions of the Convertible Notes.

On 9 February 2015, the Company and AMTD Asset Management Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as the sole placing agent, on best effort basis, and during the three months commencing from the date of the Placing Agreement, for the purposes of arranging a maximum of 300 placees for the bonds with aggregate maximum principal amount of HK$150,000,000.

On 25 February 2015, the Company has entered into a repurchase agreement with Asia Equity Value LTD (the "Repurchase Agreement"), pursuant to which the Company has agreed to the repurchase of the CN in an aggregate principal amount of HK$137,000,000 for a total consideration of HK$164,400,000, being an amount equal to 120% of the face value of the Repurchase Notes.

As disclosed in note 21(c), on 27 March 2015, the Group entered into a separate agreement with Vendor C to terminate the S&P C and received full refund of deposits of HK$67,188,000 on the same date.

As disclosed in note 38(a), on 30 March 2015, the Group entered into the S&P A with Vendor A to acquire 100% interest in Goodsign and an outstanding unsecured and interest-free loan owed by Anxi Jinxiang to Vendor A at a consideration of RMB160,000,000 (approximately HK$200,000,000).

As disclosed in note 38(b), on 30 March 2015, the Group entered into the S&P B with Vendor B to acquire 100% interest in Greenpost and an outstanding unsecured and interest-free loan owed by Xiamen Huidian to Vendor B at a consideration of RMB140,000,000 (approximately HK$175,000,000).

Up to the date of this report, the Company issued debentures in the aggregate principal amount of HK$192.8 million to independent subscribers. These debentures are interest-bearing ranging from 5% to 8% per annum and will mature ranging from 2 to 8 years from the respective dates of issue.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

46. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2014, the directors consider the immediate and ultimate holding company of the Group to be Smart Fujian Group Limited, a company incorporated in the BVI.