Kiu Hung International Holdings Limited
僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Toward A Brighter Future

ANNUAL REPORT 2014

CONTENTS

AUDITED FINANCIAL STATEMENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hui Kee Fung *(Chairman)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Cheung Kai Fung
Mr. Long Tien Ian

NON-EXECUTIVE DIRECTOR

Mr. Lam Kit Sun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Siu Lun, Simon
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky

COMPANY SECRETARY

Mr. Cheung Kai Fung

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F., Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

www.kh381.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

OCBC Wing Hang Bank Limited
Head Office
161 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

for the year ended 31 December	**2014 HK$'000**	2013 HK$'000	Change
TURNOVER	**229,022**	169,910	34.8%
Gross profit	**73,576**	49,273	49.3%
Loss for the year	**(508,672)**	(69,750)	(629.3%)
Loss attributable to shareholders	**(509,606)**	(71,826)	(609.5%)
Basic loss per share (in HK cents)	**(31.58)**	(6.02)	(424.6%)
TOTAL ASSETS	**461,777**	301,084	53.4%
Shareholders' equity	**293,191**	139,458	110.2%

CHAIRMAN'S STATEMENT

Power up resources FOR GROWTH

On behalf of the board of the directors (the "Board") of Kiu Hung International Holdings Limited (the "Company", together with its subsidiary companies, the "Group"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2014 (the "Year").

RESULTS AND DIVIDENDS

The past year was very challenging to the Group. The sluggish global economic growth, volatilities in international capital markets and the decline in economic growth rate of China has posted many challenges to the Group. During the Year, the Group recorded a turnover of approximately HK$229.0 million (2013: approximately HK$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$509.6 million (2013: approximately HK$71.8 million). Basic loss per share for the Year was approximately 31.58 HK cents (2013: approximately 6.02 HK cents).

The increase in the Group's loss attributable to shareholders and the basic loss per share for the Year, of approximately HK$437.8 million and approximately 25.56 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK$453.9 million. Such provision for impairment of investment in an associate had no impact to the cash flows of the Group for the year ended 31 December 2014. Excluding the above-mentioned provision for impairment of investment in an associate, the loss for the Year is comparable to the previous year.

The Board does not recommend the payment of any dividend for the Year (2013: Nil).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Toys and Gifts Business

Turnover from toys and gifts business for the Year was approximately HK$229.0 million (2013: approximately HK$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The increase in turnover from toys and gifts business was mainly due to the increase of sales of toys and gifts products. The gross profit ratio of the toys and gifts business was approximately 32.1% for the Year (2013: approximately 29.0%).

Exploration of Natural Resources

The Group owns the exploration rights of Bayanhushuo Coal Field ("BCF") and Guerbanhada Coal Mine ("GCM"), all located in Inner Mongolia Autonomous Region, the PRC with total estimated coal resources of approximately 500.05 million tonnes. The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 23 September 2013 to 22 September 2015, respectively.

Fruit Plantation

The Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the "Multijoy Group"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, at a total consideration of HK$196 million which was satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company; and (ii) the issuance of convertible bonds of the Company with face value of HK$136,000,000 to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014 (the "Acquisition").

The Acquisition has not only diversified the Group's business portfolio, but also brought stable and recurring income to the Group.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related business (completed on 17 September 2014); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the proposed acquisition of 20% interest in a group of companies which will engage in PRC outbound travelling to Samoa; and (d) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services, entertainment business such as investment in music concerts or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its businesses to maximise the interests of the Group and our shareholders as a whole.

APPRECIATION

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

Hui Kee Fung
Chairman
Hong Kong, 31 March 2015

FINANCIAL HIGHLIGHTS

During the financial year ended 31 December 2014 (the "Year"), the Group recorded a turnover of approximately HK$229.0 million (2013: approximately HK$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$509.6 million (2013: approximately HK$71.8 million). Basic loss per share for the Year was approximately 31.58 HK cents (2013: approximately 6.02 HK cents).

The increase in the Group's loss attributable to shareholders and the basic loss per share for the Year, of approximately HK$437.8 million and approximately 25.56 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK$453.9 million. Details of such provision for impairment of investment in an associate are set out in the paragraph headed "Fruit plantation" under the section headed "BUSINESS AND OPERATIONAL REVIEW". Such provision for impairment of investment in an associate had no impact to the cash flows of the Group for the year ended 31 December 2014.

Excluding the above-mentioned provision for impairment of investment in an associate, the loss for the Year is comparable to the previous year.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2013: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has three reportable segments, namely, "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", and "Fruit plantation".

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business for the Year was approximately HK$229.0 million (2013: approximately HK$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The increase in turnover from toys and gifts business was mainly due to the increase of sales of toys and gifts products.

The gross profit ratio of the toys and gifts business was approximately 32.1% for the Year (2013: approximately 29.0%).

Exploration of natural resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "Inner Mongolia"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources (Million tonnes)
Bayanhushuo Coal Field ("BCF")	394.05
Guerbanhada Coal Mine ("GCM")	106.00
Total	500.05

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd. on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 2011. Such resources report of BCF was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd. (內蒙古龍旺地質勘探有限責任公司), which indicates that BCF has estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. Save as above, there is no material change in the estimated coal resources of BCF as at the date of this annual report.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. There is no material change in the estimated coal resources of GCM as at the date of this annual report.

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 23 September 2013 to 22 September 2015, respectively.

The mining licence application process of BCF and GCM was slower than expected. As at the date of this annual report, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the pre-conditions for the application of the mining licence of BCF and GCM.

Fruit plantation

The Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the "Multijoy Group"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, at a total consideration of HK$196 million (the "Consideration") which was satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company (the "Consideration Shares"); and (ii) the issuance of convertible bonds of the Company with face value of HK$136,000,000 (the "Convertible Bonds") to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014 (the "Acquisition").

Upon initial recognition of the Acquisition, which is classified as investment in an associate, on 17 September 2014, the Group had to account for the fair value of the Consideration with reference to the closing market price of HK$0.46 per share of the Company as at the completion date of the Acquisition rather than the issue price of HK$0.15 per share of the Consideration Shares and the initial conversion price of HK$0.15 per conversion share* in accordance with the relevant accounting standards of Hong Kong Financial Reporting Standards. As such, the fair value of the Consideration with reference to the closing market price of HK$0.46 per share of the Company was determined to be approximately HK$601 million, which is in excess of the fair value of the net identifiable assets acquired in respect of the Multijoy Group (after taking into account the relevant deferred tax liabilities of the Multijoy Group) by approximately HK$453.9 million. Such excess was considered to be immediately impaired. As a result, a provision for impairment of investment in an associate of approximately HK$453.9 million was recorded in the Company's consolidated financial statements. Such provision for impairment had no impact to the cash flows of the Group for the year ended 31 December 2014.

For details of the Acquisition, please refer to the Company's circular dated 22 August 2014.

* The ordinary shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds.

GEOGRAPHICAL INFORMATION

During the Year, the Group recorded revenues in North America (includes the USA and Canada) of approximately HK$211.9 million for the Year compared to approximately HK$152.9 million last year and represented approximately 92.5% (2013: approximately 90.0%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$10.7 million compared to approximately HK$9.2 million last year and represented approximately 4.7% (2013: approximately 5.4%) of the Group's total revenue.

SELLING AND DISTRIBUTION COSTS

The amount of the selling and distribution expenses for the Year was approximately HK$33.1 million (2013: approximately HK$24.7 million). The increase was mainly attributable to the increase of the sales of toys and gifts products.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year increased by approximately 51.7% to approximately HK$81.3 million as compared to approximately HK$53.6 million in the previous year. The increase in administrative expenses was mainly due to an increase in (i) share-based payments of approximately HK$14.4 million; (ii) staff costs of approximately HK$6.1 million; and (iii) legal and professional fees of approximately HK$4.2 million during the Year.

FINANCE COSTS

Finance costs for the Year increased by approximately 74.6% to approximately HK$11.0 million as compared to approximately HK$6.3 million in the previous year. The increase in finance costs was mainly due to the increase in interest expenses on other loans and convertible bonds wholly payable within 3 years of approximately HK$2.3 million and HK$1.9 million, respectively.

INCOME TAX CREDIT

The Group recorded an income tax credit of approximately HK$0.3 million during the Year (2013: approximately HK$3.9 million). The decrease in income tax credit was mainly due to the decrease in deferred income tax credit of approximately HK$4.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK$20.1 million at 31 December 2014 (2013: approximately HK$18.7 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2014, the Group's borrowings amounted to approximately HK$63.8 million (2013: approximately HK$76.2 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 40.5% (2013: approximately 77.6%) bore interest at fixed lending rates.

At 31 December 2014, the fair value of the liability component of the Company's Convertible Bonds was approximately HK$20.2 million. The total outstanding principal amount of the Convertible Bonds as at 31 December 2014 and the date of this annual report were HK$30 million and HK$21 million, respectively. The Group had incurred interest expenses for the Convertible Bonds of approximately HK$1.9 million for the Year.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 14.9% at 31 December 2014 (2013: approximately 41.2%).

Net current liabilities of the Group at 31 December 2014 was approximately HK$33.6 million (2013: approximately HK$60.9 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 0.72 (2013: approximately 0.53).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant and the Group had not used any financial instruments for hedging during the Year.

At 31 December 2014, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK$68.2 million (2013: approximately HK$71.0 million), were pledged to secure general banking facilities granted to the Group.

The Group had no capital commitments as at 31 December 2014 (2013: Nil).

The Group had no contingent liabilities as at 31 December 2014 (2013: Nil).

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related business (completed on 17 September 2014); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the proposed acquisition of 20% interest in a group of companies which will engage in PRC outbound travelling to Samoa; and (d) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services, entertainment business such as investment in music concerts or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its businesses to maximise the interests of the Group and our shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2014, the capital structure of the Company was constituted of 2,578,377,599 ordinary shares of HK$0.1 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the Convertible Bonds and share options to subscribe for the Company's shares.

On 18 March 2014, 28 April 2014 and 22 September 2014, the Company and its placing agents entered into three conditional placing agreements in respect of the placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK$0.10 each of the Company to independent investors at the placing price of HK$0.175, HK$0.16 and HK$0.475 per share, respectively. The placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK$0.1 each of the Company were completed on 31 March 2014, 9 May 2014 and 3 October 2014, respectively. The amounts of the net proceeds raised from these three placements were approximately HK$23.1 million, HK$11.8 million and HK$29.0 million, respectively. The aggregate net proceeds of HK$63.9 million have been used for (i) repayment of the Group's borrowings of approximately HK$14.4 million; and (ii) general working capital of the Group of approximately HK$49.5 million. For details, please refer to the Company's announcements dated 18 March 2014, 28 April 2014 and 22 September 2014, respectively.

At 31 December 2014, 157,146,120 share options and 200,000,000 conversion shares remained outstanding (2013: 41,796,120 share options; 2013: no conversion shares).

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2014, the Group had a total of 564 employees (2013: 499 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Hui Kee Fung, aged 54, has been appointed as executive director and chairman of the Company since November 2000. He has over 20 years of experience in various industries. He is a China Overseas Friendship Association Director, a Standing Committee Member of the Tenth Chinese People's Political Consultative Conference of Fujian Province, the PRC, a Fellow of the Asian Knowledge Management College, an Adjunct Professor in Faculty of Business of City University of Hong Kong, a Member of the Economic Cooperative Committee between Hong Kong and the Fujian Province, the PRC, the Honorary Life Chairman of the Hong Kong Federation of Fujian Association, a Standing Committee Member of the Economic Cooperative and Promotion Committee between Hong Kong and the Heilongjiang Province, the Honorable Chairman of the Hong Kong Fujian Charitable Education Fund, the Permanent Honorable Chairman of the Fujian Putian University in the PRC, the Chairman of Xu A Qiong Foundation of Putian and an Honorary Citizen of Putian, Fujian, the PRC. Mr. Hui has awarded the Young Industrialist Awards of Hong Kong in 2001.

Mr. Yu Won Kong, Dennis, aged 65, has been appointed as executive director of the Company since October 2009. He is also the chief executive officer of the Company and has over 20 years of experience in financial investment field. From 2003 to 2006, Mr. Yu was a director of Fortuna International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from 1995 to 2003, he acted as executive director respectively in several listed companies in Australia, Frankfurt and NASDAQ and was responsible for identifying acquisition targets, raising fund, and monitoring those companies' direct investment activities in the PRC. Mr. Yu was also the chairman and executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange ("GEM"), from 11 August 2008 to 28 September 2012.

Mr. Cheung Kai Fung, aged 40, has been appointed as the chief financial officer and company secretary of the Company since 15 March 2010 and has been appointed as executive director of the Company since 1 August 2013. He holds a bachelor in Business Administration Degree in Information and Systems Management from the Hong Kong University of Science and Technology and graduated from the MBA Program in Finance jointly offered by the Chinese University of Hong Kong in collaboration with the Tsinghua University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was the group financial controller, qualified accountant and joint company secretary of China Sunshine Paper Holdings Company Limited, a company listed on the main board of the Stock Exchange, prior to joining the Company. Mr. Cheung has over 15 years of finance, investor relations and audit experience.

Mr. Long Tien Ian, aged 41, has been appointed as executive director of the Company since September 2014. He had graduated from the National University of Singapore with a Bachelor of Business Administration Degree (B.B.A) and had also attended a Management course at INSEAD, Fontainbleau. He has experience in Equity Capital Markets, Corporate Finance and Mergers & Acquisitions in Asia. He was a Managing Director, Head of China Equity Capital Markets at Deutsche Bank and prior to that he was the Head of South East Asia Equity Capital Markets at Credit Suisse. He was also with Goldman Sachs in Hong Kong and Singapore in both Equity Capital Markets and Corporate Finance departments.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Lam Kit Sun, aged 37, was appointed as an executive director from 27 October 2009 and has been re-designated as a non-executive director since 1 August 2013. He graduated from the Hong Kong University of Science and Technology with bachelor's degree in Business Administration in Accounting. He has over 10 years of experience in the field of financial reporting, financial management and audit experience in China and Hong Kong. Mr. Lam has worked in an international accountancy firm in Hong Kong for over 4 years and was the company secretary and qualified accountant of China Leason Investment Group Co. Limited, a company listed on the GEM. Mr. Lam is a fellow and practicing member of the Hong Kong Institute of Certificate Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Chartered Secretaries and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Lam was the non-executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on the GEM, from 11 August 2008 to 6 July 2011. He is an executive director, company secretary and chief financial officer of Universe International Holdings Limited, a company listed on the main board of the Stock Exchange, was the chief financial officer and company secretary of Finsoft Corporation, a company listed on the GEM from September 2013 to January 2015, was an independent non-executive director of DX.com Holdings Limited, a company listed on the GEM from August 2013 to January 2015 and an independent non-executive director M Dream Inworld Limited, a company listed on the GEM.

Independent Non-Executive Directors

Mr. Lam Siu Lun, Simon, aged 65, has been appointed as independent non-executive director of the Company since October 2009. He graduated from the University of Hong Kong in 1973. After graduation, he worked at KPMG London and Hong Kong and obtained his qualification as a Chartered Accountant and Certified Public Accountant from the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam has been a practicing accountant for over 19 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of the Insider Dealing Tribunal on a number of occasions. He is an independent non-executive director and audit committee member of Lifestyle International Holdings Limited, Lifestyle Properties Limited, and Le Saunda Holdings Ltd, companies whose securities are listed on the Stock Exchange.

Mr. Zhang Xianmin, aged 60, has been appointed as independent non-executive director of the Company since October 2009. He graduated from China Central Radio and Television University with a degree in Administration. Mr. Zhang currently holds the following positions: Chairman of magazine "Coastline", Part-time Professor of Xiamen University, Part-time Professor of Zhongnan University of Economics and Law, Standing Committee Member of Think Tank of Guangzhou, Chief Coordinator of Aid-the-Poor & Aid-the-Students Programme of Hong Kong Society for the Promotion of Virtue, Deputy Secretary-General of China Economics Award Administration Committee and Director of Hong Kong Branch, China Council for the Promotion of Peaceful National Reunification. In addition, he once served as Chairman of China Economic & Culture Fund in Hong Kong and Deputy Chairman of Shenzhen Association of Enterprises with Foreign Investment.

Mr. So Chun Pong, Ricky, aged 41, has been appointed as independent non-executive director of the Company since 31 May 2013. He graduated from the University of Toronto in 2002 with a bachelor degree in Landscape Architecture. He has over 11 years of experience in the field of landscape architecture and worked in various leading landscape architecture companies in Hong Kong and overseas. Mr. So is specialized in residential and recreational developments in his practice. He has an extensive experience in various aspects in the landscape architects industry including master-planning and site construction.

SENIOR MANAGEMENT

Mr. Yang Runzhi, aged 60, is the managing director of Inner Mongolia Mingrunfeng Energy Co., Ltd. and Tongliao City Heng Yuan Mining Company Limited, the indirect wholly-owned subsidiary of the Company. He has 25 years of experience in military and government and over 10 years of experience in the coal industry in Inner Mongolia. He is a Senior Economist for coal industry and has worked as the General Manager of Beijing Zhongmei Hengrun Co., Ltd., a subsidiary of the China Coal Group. He has in-depth knowledge in the sales and marketing of coals, processing of coal products and purchasing of coal mine machinery and equipment.

Mr. Hui Ki Yau, aged 53, is the president of the Group's toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a Standing Committee Member of the Chinese People's Political Consultative Conference of Putian City, Fujian Province, the PRC, an Executive Member of Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa, aged 46, is the operation manager of the Group's toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui Ki Yau.

REPORT OF THE DIRECTORS

The directors of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2014 is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 34 to 38 of this annual report. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out in note 14 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had distributable reserves of approximately HK$30.5 million (2013: HK$19.9 million). Under the Company's memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the contributed surplus and share premium of the Company of approximately HK$125.2 million (2013: HK$125.2 million) and approximately HK$1,423.0 million (2013: HK$984.9 million), respectively, at 31 December 2014 are 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 they fall due in the ordinary course of business.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling approximately HK$305,000 (2013: Nil).

RETIREMENT BENEFITS SCHEMES

The Group operates a Pension Scheme and a MPF Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK$1,755,000 (2013:approximately HK$1,748,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2013: Nil) was available at 31 December 2014 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2014 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 74.2% of the total sales for the year and sales to the largest customer included therein accounted for approximately 46.7%. Purchases from the Group's five largest suppliers accounted for approximately 23.2% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 6.9%.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Hui Kee Fung *(Chairman)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Cheung Kai Fung
Mr. Long Tien Ian
(appointed on 10 September 2014)

Non-executive director:

Mr. Lam Kit Sun

Independent non-executive directors:

Mr. Lam Siu Lun, Simon
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky

The directors of the Company, including the independent non- executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

According to articles 87(1) and 87(2) of the Company's articles of association (the "Articles"), at each annual general meeting of the Company, one-third of the directors of the Company for the time being (or, if such number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director of the Company shall be subject to retirement by rotation at least once every three years. A retiring director of the Company shall be eligible for re-election.

In accordance with Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at that meeting.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 13 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Hui Kee Fung renewed his service contract with the Company and continued to serve as an executive director and the chairman of the Company for a term of one year from 1 July 2014 to 30 June 2015, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Yu Won Kong, Dennis entered into his service contract with the Company to serve as an executive director and the chief executive officer of the Company for a term of two years from 22 October 2013 to 21 October 2015, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Cheung Kai Fung entered into a service contract with the Company to serve as an executive director of the Company and continued to serve as the chief financial officer and the company secretary for a term of two years from 1 August 2013 to 31 July 2015, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Long Tien Ian entered into a service contract with the Company to serve as an executive director of the Company for a term of three years from 10 September 2014 to 9 September 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

TERM OF NON-EXECUTIVE DIRECTORS

Mr. Lam Kit Sun renewed his service contract with the Company and continued to serve as a non-executive director of the Company for a term of one year from 1 August 2014 to 31 July 2015, which may be terminated by either party thereto by giving to the other one month prior notice in writing.

Each of the independent non-executive directors is appointed for a fixed term of 2 years as follows:

Name of directors	Term period
Mr. Lam Siu Lun, Simon	22 October 2013 to 21 October 2015
Mr. Zhang Xianmin	22 October 2013 to 21 October 2015
Mr. So Chun Pong, Ricky	31 May 2013 to 30 May 2015

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in notes 24(a)(ii) and 33(iv) to the consolidated financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of director	Number or attributable number of shares held or short positions	Capacity: Interest of controlled corporation	Capacity: Interest of child under 18 or spouse	Capacity: Beneficial owner	Approximate percentage or attributable percentage of shareholdings
Hui Kee Fung *(Note)*	160,900,000	153,500,000	–	7,400,000	6.24%
Yu Won Kong, Dennis	119,907,364	–	2,900,000	117,007,364	4.65%
Cheung Kai Fung	4,800,000	–	–	4,800,000	0.19%
Long Tien Ian	14,000,000	–	–	14,000,000	0.54%
Lam Siu Lun, Simon	1,800,000	–	–	1,800,000	0.07%
Zhang Xianmin	1,800,000	–	–	1,800,000	0.07%

Note: Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa and Hui's K. K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui's K. K. Foundation Limited.

Save as disclosed above and under the heading "Substantial Shareholders" below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "Share Option Schemes") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at 31 May 2013. For the avoidance of doubt, the outstanding share options granted under the 2012 Share Option Scheme would not be counted for the purpose of calculating such 10% limit. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the 2013 Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The following table discloses movements in the outstanding share options granted under the Share Option Schemes during the year:

Grantee	Date of grant	Number of share options: Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Outstanding at 31 December 2014	Exercise price HK$	Exercise Period
(Executive directors)							
Yu Won Kong, Dennis	29 March 2012	5,900,000	–	–	5,900,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,900,000	–	–	5,900,000	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	–	2,200,000	–	2,200,000	0.4000	1 September 2014 to 31 August 2019
Hui Kee Fung	29 March 2012	1,200,000	–	–	1,200,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	1,200,000	–	–	1,200,000	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	–	5,000,000	–	5,000,000	0.4000	1 September 2014 to 31 August 2019
Cheung Kai Fung	29 March 2012	900,000	–	–	900,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	–	–	900,000	0.3865	29 March 2012 to 28 March 2015
	1 September 2014		3,000,000	–	3,000,000	0.4000	1 September 2014 to 31 August 2019
Long Tien Ian	1 September 2014	–	4,700,000	–	4,700,000	0.4000	1 September 2015 to 31 August 2019
	1 September 2014	–	4,700,000	–	4,700,000	0.4000	1 September 2016 to 31 August 2019
	1 September 2014	–	4,600,000	–	4,600,000	0.4000	1 September 2017 to 31 August 2019
(Non-executive director)							
Lam Kit Sun	29 March 2012	1,200,000	–	1,200,000	–	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	1,200,000	–	1,200,000	–	0.3865	29 March 2012 to 28 March 2015
(Independent non-executive directors)							
Lam Siu Lun, Simon	29 March 2012	900,000	–	–	900,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	–	–	900,000	0.3865	29 March 2012 to 28 March 2015
Zhang Xianmin	29 March 2012	900,000	–	–	900,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	–	–	900,000	0.3865	29 March 2012 to 28 March 2015
Employees	19 June 2006	9,136,120	–	250,000	8,886,120	0.5080	1 January 2007 to 18 June 2016
	5 July 2007	660,000	–	–	660,000	3.7000	1 July 2008 to 18 June 2016
	29 March 2012	5,000,000	–	1,000,000	4,000,000	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,000,000	–	–	5,000,000	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	–	94,800,000	–	94,800,000	0.4000	1 September 2017 to 31 August 2019
Total		41,796,120	119,000,000	3,650,000	157,146,120		

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2014, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

Name of shareholders	**Number of shares or underlying approximate shareholding**	**Capacity**		
		Beneficial owner	**Interest of child under 18 or spouse**	**Interest of controlled corporation**
Buer Gude	746,666,666 28.96%	–	–	746,666,666
Delight Grace Limited	746,666,666 28.96%	746,666,666	–	–
Legend Win Profits Limited *(Note)*	153,500,000 5.95%	153,500,000	–	–

Note: Details of Legend Win Profits Limited are disclosed in the paragraph headed "Directors' Interests in Shares" of this annual report.

CONTINUING CONNECTED TRANSACTIONS

The following connected transactions have been entered into and are ongoing for which relevant announcement had been made by the Company in accordance with Chapter 14A of the Listing Rules:

The Service transactions

On 16 May 2012, Miracles For Fun USA Inc. ("Miracles USA"), a US company which is beneficially owned by Mr. Gregg Sanders who is a connected person of the Company, and Better Sourcing Worldwide Limited ("Better Sourcing"), an indirectly non-wholly owned subsidiary of the Company, agreed to renew the service agreement (the "Service Agreement") for a term of three years which commenced from 1 January 2012. Mr. Gregg Sanders, a director of Better Sourcing, is interested in 49% of the issued share capital of Better Sourcing and a connected person of the Company. Pursuant to the Service Agreement, Miracles USA agreed with Better Sourcing to perform marketing and promotion and research and development of toys and gift products for three years from 1 January 2012 to 31 December 2014. The annual cap for the services was approximately HK$1,872,000 during each of three years ended 31 December 2014.

During the year, the transactions made between Miracles USA and Better Sourcing in respect of services amounted to approximately HK$1,794,000 (2013: HK$1,663,000), and were within the relevant annual cap approved by the directors of the Company.

The Service Agreement constituted a continuing connected transaction of the Company. The annual cap did not fall under the exemption in Chapter 14A of the Listing Rules and were all subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 16 May 2012.

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its letter containing its conclusion in respect of the continuing connected transactions disclosed by the Group on page 24 of this annual report in accordance with Rule 14A.49 of the Listing Rules. A copy of the auditor's letter will be provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the directors, there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 26 to 31 of this annual report.

INDEPENDENT CONFIRMATION

The Company has received, from each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 34 to the consolidated financial statements.

AUDITOR

PricewaterhouseCoopers will retire and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Hui Kee Fung
Chairman

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. Throughout the year of 2014, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year of 2014.

BOARD OF DIRECTORS

As at 31 December 2014, the Board currently comprises four executive directors, one non-executive director and three independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company's Articles of Association, every director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders. All independent non-executive directors are appointed for a specific terms.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

As at the date of this report, the Company appointed three independent non-executive directors, namely, Mr. Lam Siu Lun, Simon ("Mr. Lam"), Mr. Zhang Xianmin ("Mr. Zhang") and Mr. So Chun Pong, Ricky ("Mr. So") who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders.

Mr. Lam and Mr. Zhang were appointed for a term of two years commencing from 22 October 2013, while Mr. So was appointed for a term of two years commencing from 31 May 2013.

The Company arranged for appropriate insurance cover in respect of legal actions against directors.

The Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Twenty-three Board meetings were held in 2014. Individual attendance of each director at the Board meetings, the Audit Committee meetings, the Nomination Committee meetings, the Remuneration Committee meetings and the general meetings of the Company during 2014 is set out below:

	Attendance/number of meetings				
Director	**Board**	**Audit committee**	**Nomination committee**	**Remuneration committee**	**General meeting**
Executive directors					
Mr. Hui Kee Fung *(Chairman)*	21/23	N/A	1/1	2/2	3/3
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*	23/23	N/A	N/A	N/A	3/3
Mr. Cheung Kai Fung	23/23	N/A	N/A	N/A	3/3
Mr. Long Tien Ian (appointed on 10 September 2014)	6/6	N/A	N/A	N/A	1/1
Non-executive director					
Mr. Lam Kit Sun	21/23	N/A	N/A	N/A	3/3
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	19/23	2/2	1/1	2/2	3/3
Mr. Zhang Xianmin	13/23	2/2	1/1	2/2	0/3
Mr. So Chun Pong, Ricky	14/23	2/2	1/1	2/2	3/3

To implement the strategies and plans adopted by the Board effectively, directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 13 to 15 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has appointed Mr. Hui Kee Fung as the Chairman and Mr. Yu Won Kong, Dennis as the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the Company's website.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of directors and senior management. The remuneration of each director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive director has taken part in any discussion about his own remuneration. Two meetings were held by the Remuneration Committee in 2014. Three out of Four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2014 include:

Mr. Lam Siu Lun, Simon — *Chairman*
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky
Mr. Hui Kee Fung

Directors' remunerations for the year are disclosed in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the Company's website. One meeting was held by the Nomination committee in 2014.

The Board adopted a Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Three out of Four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2014 include:

Mr. Zhang Xianmin — *Chairman*
Mr. Lam Siu Lun, Simon
Mr. So Chun Pong, Ricky
Mr. Hui Kee Fung

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the Company's website. Two meetings were held by the Audit Committee in 2014. All committee members are independent non-executive directors. Its members as at 31 December 2014 include:

Mr. Lam Siu Lun, Simon — *Chairman*
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual financial statements and reviewed the Group's internal control system.

AUDITOR'S REMUNERATION

During the year, the Group has incurred auditor's remuneration of HK$2,400,000 (2013: HK$2,000,000) all of which was paid/payable to the Company's existing auditor, PricewaterhouseCoopers. In addition, professional fee of approximately HK$122,000 (2013: HK$120,000) was payable by the Group for the taxation and other services rendered by PricewaterhouseCoopers.

COMPANY SECRETARY

Mr. Cheung Kai Fung joined the Group since 1 December 2009 and has been appointed as the Company Secretary and Chief Financial Officer of the Company since 15 March 2010. Mr. Cheung was appointed as the executive director of the Company on 1 August 2013. In his capacity acting as the Company Secretary of the Company, Mr. Cheung reports to the Board and is responsible for advising the Board on corporate governance matters. Mr. Cheung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Biographical details of Mr. Cheung can be found under the Profile of Directors and Senior Management section on page 13 of this annual report.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the 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.

PROCEDURE BY WHICH ENQUIRIES PUT TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email to info@kh381.com.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.kh381.com on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to info@kh381.com for any enquiries. The shareholders' communication policy is available on the Company's website www.kh381.com under the "Investor Relations/Corporate Governance" section.

INTERNAL CONTROLS

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group and the directors of the Company have conducted a review of its effectiveness during the year.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing the Group's and the Company's financial statements which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 32 to 33 of this annual report.

GOING CONCERN

At 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$33,579,000 and the Group recorded a loss of approximately HK$508,672,000 and a net operating cash outflow of approximately HK$50,636,000 during the year ended 31 December 2014. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK$6.5 million to be settled within the next twelve months from 31 December 2014 (note 34). All of these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates; and

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2014. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions, our ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

羅兵咸永道

TO THE SHAREHOLDERS OF KIU HUNG INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kiu Hung International Holdings Limited (the Company, formerly known as Kiu Hung Energy Holdings Limited) and its subsidiaries (together, the "Group") set out on pages 34 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

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

EMPHASIS OF MATTER

We draw attention to note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK$508,672,000 and had a net operating cash outflow of approximately HK$50,636,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$33,579,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to raise capital from existing and new investors, obtain sufficient new borrowings, extend its existing borrowings upon their maturities, and derive adequate cash flows from its operating activities. These conditions, along with other matters as described in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	6	**229,022**	169,910
Cost of sales		**(155,446)**	(120,637)
Gross profit		**73,576**	49,273
Other income	6	**1,810**	1,916
Selling and distribution costs		**(33,060)**	(24,672)
Administrative expenses		**(81,329)**	(53,567)
Provision for impairment of exploration and evaluation assets	15	**–**	(38,252)
Other losses, net	9	**(1,158)**	(2,031)
Operating loss		**(40,161)**	(67,333)
Finance costs	7	**(11,022)**	(6,338)
		(51,183)	(73,671)
Provision for impairment of investment in an associate	17	**(453,886)**	–
Share of result of an associate	17	**(3,896)**	–
Loss before income tax		**(508,965)**	(73,671)
Income tax credit	8	**293**	3,921
Loss for the year	9	**(508,672)**	(69,750)
(Loss)/profit attributable to:			
— Equity holders of the Company		**(509,606)**	(71,826)
— Non-controlling interests		**934**	2,076
		(508,672)	(69,750)
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	10	**(31.58)**	(6.02)

The notes on pages 43 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(508,672)**	(69,750)
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**176**	2,609
Deferred income tax arising on revaluation of properties	**(259)**	411
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(537)**	5,176
Other comprehensive (loss)/income for the year, net of tax	**(620)**	8,196
Total comprehensive loss for the year	**(509,292)**	(61,554)
Total comprehensive (loss)/income attributable to:		
— Equity holders of the Company	**(510,226)**	(63,630)
— Non-controlling interests	**934**	2,076
	(509,292)	(61,554)

The notes on pages 43 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014 HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment	12	**66,783**	67,283
Prepaid land lease payments	13	**4,526**	4,659
Investment properties	14	**10,100**	10,100
Exploration and evaluation assets	15	**147,805**	148,312
Other intangible asset	16	**1,059**	1,070
Investment in an associate	17	**143,339**	–
Deferred income tax assets	26	**377**	353
Rental deposits		**2,824**	–
		376,813	231,777
Current assets			
Inventories	19	**15,640**	22,885
Trade and bills receivables	20	**33,513**	18,510
Prepayments, deposits and other receivables		**15,071**	8,870
Income tax recoverable		**613**	332
Bank and cash balances	21	**20,127**	18,710
		84,964	69,307
Total assets		**461,777**	301,084
Current liabilities			
Trade payables	22	**17,119**	14,337
Accruals and other payables		**37,185**	39,344
Income tax payable		**393**	366
Borrowings	24	**63,846**	76,157
		118,543	130,204
Net current liabilities		**(33,579)**	(60,897)
Total assets less current liabilities		**343,234**	170,880

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Convertible bonds	25	**20,207**	–
Deferred income tax liabilities	26	**29,836**	31,422
		50,043	31,422
Net assets		**293,191**	139,458
Equity			
Share capital	27	**257,838**	119,386
Reserves	28	**26,336**	11,989
Equity attributable to equity holders of the Company		**284,174**	131,375
Non-controlling interests		**9,017**	8,083
Total equity		**293,191**	139,458

The notes on pages 43 to 117 are an integral part of these consolidated financial statements.

The financial statements on pages 34 to 117 were approved by the board of directors of the Company on 31 March 2015 and were signed on its behalf.

Hui Kee Fung
Director

Yu Won Kong, Dennis
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	18	**337,431**	195,850
		337,431	195,850
Current assets			
Prepayments, deposits and other receivables		**1**	–
Bank and cash balances	21	**6,477**	28
		6,478	28
Total assets		**343,909**	195,878
Current liabilities			
Accruals and other payables		**17,293**	25,204
Due to subsidiaries	23	**11,727**	13,124
Borrowings	24	**6,357**	18,300
		35,377	56,628
Net current liabilities		**(28,899)**	(56,600)
Total assets less current liabilities		**308,532**	139,250
Non-current liabilities			
Convertible bonds	25	**20,207**	–
		20,207	–
Net assets		**288,325**	139,250
Equity			
Share capital	27	**257,838**	119,386
Reserves	28	**30,487**	19,864
Total equity		**288,325**	139,250

The notes on pages 43 to 117 are an integral part of these consolidated financial statements.

The financial statements on pages 34 to 117 were approved by the board of directors of the Company on 31 March 2015 and were signed on its behalf.

Hui Kee Fung
Director

Yu Won Kong, Dennis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company											
	Share capital HK$'000 (note 27)	Share premium HK$'000 (note (a))	Statutory surplus HK$'000 (note (b))	Contributed surplus HK$'000 (note (c))	Foreign currency translation reserve HK$'000 (note (d))	Share-based payment reserve HK$'000 (note (e))	Property revaluation reserve HK$'000 (note (f))	Convertible bonds equity reserve HK$'000 (note 25) (note (g))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	119,386	984,947	3,320	303	99,135	7,570	35,982	–	(1,055,638)	195,005	6,007	201,012
Total comprehensive (loss)/income for the year	–	–	–	–	5,176	–	3,020	–	(71,826)	(63,630)	2,076	(61,554)
Transaction with equity holders												
Release on forfeiture of share options (note 29)	–	–	–	–	–	(177)	–	–	177	–	–	–
Transfer to reserve	–	–	1,051	–	–	–	–	–	(1,051)	–	–	–
Total transactions with equity holders	–	–	1,051	–	–	(177)	–	–	(874)	–	–	–
At 31 December 2013	119,386	984,947	4,371	303	104,311	7,393	39,002	–	(1,128,338)	131,375	8,083	139,458
At 1 January 2014	**119,386**	**984,947**	**4,371**	**303**	**104,311**	**7,393**	**39,002**	**-**	**(1,128,338)**	**131,375**	**8,083**	**139,458**
Total comprehensive (loss)/ income for the year	**-**	**-**	**-**	**-**	**(537)**	**-**	**(83)**	**-**	**(509,606)**	**(510,226)**	**934**	**(509,292)**
Transaction with equity holders												
Issue of shares upon exercise of share options (note 27(c))	**365**	**1,387**	**-**	**-**	**-**	**(422)**	**-**	**-**	**-**	**1,330**	**-**	**1,330**
Issue of shares on placements (note 27(b))	**27,420**	**37,058**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64,478**	**-**	**64,478**
Issue of convertible bonds (note 25)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**329,034**	**-**	**329,034**	**-**	**329,034**
Issue of shares upon conversion of convertible bonds (note 27(d))	**70,667**	**255,577**	**-**	**-**	**-**	**-**	**-**	**(256,453)**	**-**	**69,791**	**-**	**69,791**
Issue of Consideration Shares (note 27(e))	**40,000**	**144,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**184,000**	**-**	**184,000**
Recognition of share-based payment (note 29)	**-**	**-**	**-**	**-**	**-**	**14,392**	**-**	**-**	**-**	**14,392**	**-**	**14,392**
Transfer to reserve	**-**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**(23)**	**-**	**-**	**-**
Total transactions with equity holders	**138,452**	**438,022**	**23**	**-**	**-**	**13,970**	**-**	**72,581**	**(23)**	**663,025**	**-**	**663,025**
At 31 December 2014	**257,838**	**1,422,969**	**4,394**	**303**	**103,774**	**21,363**	**38,919**	**72,581**	**(1,637,967)**	**284,174**	**9,017**	**293,191**

The notes on pages 43 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Notes:

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are 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 they fall due in the ordinary course of business.

(b) In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations and the articles of association of these PRC subsidiaries, the statutory reserve may be used to offset the accumulated losses, or for capitalisation as paid-up capital of the subsidiaries.

(c) The contributed surplus of the Group represents the excess of the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of Company's shares issued in exchange thereof.

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

(e) Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payment reserve in note 3 to the consolidated financial statements.

(f) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 3 to the consolidated financial statements.

(g) The convertible bonds equity reserve has been set up and is dealt with in accordance with the accounting policies adopted for convertible bonds in note 3 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before income tax		**(508,965)**	(73,671)
Adjustments for:			
Amortisation of other intangible assets	16	**11**	12
Amortisation of prepaid land lease payments	13	**120**	119
Depreciation of property, plant and equipment	12	**5,279**	8,779
Provision for impairment of trade receivables	20	**87**	11
Provision for impairment of other receivables		**394**	403
Provision for impairment of investment in an associate	17	**453,886**	–
Provision for impairment of exploration and evaluation assets	15	**–**	38,252
Fair value (gain)/loss on investment properties	14	**(32)**	36
Interest expenses		**11,022**	6,338
Interest income		**(10)**	(22)
Write-off and loss on disposals of property, plant and equipment		**412**	1,485
(Write-back of provision)/provision for inventory obsolescence		**(1,625)**	393
Share of result of an associate	17	**3,896**	–
Share-based payment expenses		**14,392**	–
Operating loss before working capital changes		**(21,133)**	(17,865)
Changes in inventories		**8,796**	(4,112)
Changes in trade receivables		**(12,321)**	(1,453)
Changes in bills receivables		**(2,570)**	–
Changes in prepayments, deposits and other receivables		**(9,425)**	1,218
Changes in trade payables		**2,808**	4,092
Changes in trust receipt loans		**(3,760)**	(731)
Changes in accruals and other payables		**(2,163)**	5,005
Cash used in operations		**(39,768)**	(13,846)
Interest paid		**(9,111)**	(6,338)
Income taxes paid, net		**(1,757)**	(2,310)
Net cash used in operating activities		**(50,636)**	(22,494)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Interest received		**10**	22
Purchases of property, plant and equipment	12	**(5,105)**	(2,046)
Net cash used in investing activities		**(5,095)**	(2,024)
Cash flows from financing activities			
Bank and other loans raised		**114,581**	97,177
Repayment of bank and other loans		**(122,882)**	(78,397)
Proceeds from exercise of share options		**1,330**	–
Proceeds from share placements	27	**65,931**	–
Costs for issuing shares on placements		**(1,453)**	–
Net cash generated from financing activities		**57,507**	18,780
Net increase/(decrease) in cash and cash equivalents		**1,776**	(5,738)
Cash and cash equivalents at 1 January		**18,603**	23,418
Effect of foreign exchange rate changes		**(252)**	923
Cash and cash equivalents at 31 December		**20,127**	18,603
Analysis of the balances of cash and cash equivalents at 31 December			
Bank and cash balances	21	**20,127**	18,710
Less: Bank overdrafts	24	**–**	(107)
		20,127	18,603

For significant non-cash transactions arising during the year, refer to note 27(d) and note 27(e) to the consolidated financial statements.

The notes on pages 43 to 117 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

On 18 December 2014, the name of the Company has been changed from "Kiu Hung Energy Holdings Limited" to "Kiu Hung International Holdings Limited".

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 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the manufacturing and trading of toys and gifts, the exploration of natural resources and the investment in business related to fruit plantation.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company on 31 March 2015.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and in note 3. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap 32) for this financial year and the comparative period.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investment properties which are carried at their fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 BASIS OF PREPARATION *(Continued)*

2.1 Going Concern

At 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$33,579,000 and the Group recorded a loss of approximately HK$508,672,000 and a net operating cash outflow of approximately HK$50,636,000 during the year ended 31 December 2014. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK$6.5 million to be settled within the next twelve months from 31 December 2014 (note 34). All of these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates; and

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2014. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions, our ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

2 BASIS OF PREPARATION *(Continued)*

2.2 Changes in accounting policy and disclosures

(a) The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The adoption of these amendments and interpretation to existing standards does not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle	1 July 2014
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle	1 July 2014
HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle	1 January 2016

2 BASIS OF PREPARATION *(Continued)*

2.2 Changes in accounting policy and disclosures *(Continued)*

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the group is exposed to, 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(1) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

***(1) Business combinations** (Continued)*

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(3) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Subsidiaries *(Continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of result of an associate' in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associate *(Continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— all resulting exchange differences are recognised in the foreign currency translation reserve.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Leasehold land and buildings comprise mainly factories and offices. Leasehold land in Hong Kong classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Leasehold land and building are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical 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 financial period in which they are incurred.

Revaluation increases of leasehold land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Shorter of 10 years or over the lease terms
Plant and machinery	5 to 10 years
Moulds	2 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	4 to 5 years

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Prepaid land lease payments

The lump-sum upfront lease payments made on entering into or acquiring leasehold land are accounted for as prepaid land lease payments and are amortised over the lease term on a straight line basis.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property. After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include cost of acquiring exploration right, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

Exploration and evaluation assets are classified as such and carried forward as long as:

(i) the exploration right is current;

(ii) the Group plans and has sufficient fund to continue the explorations; and

(iii) the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining right and are amortised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

(h) Trademark

Trademark is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful lives of 99 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(j) Research expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of five years. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(k) 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.

(l) Financial instruments

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables' and 'bank and cash balances' in the consolidated statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortization costs using the effective interest method.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserve. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. 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.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(p) Cash and cash equivalents

For the purpose of the consolidated 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 and bank overdrafts.

In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(q) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. The accounting policies adopted for specific financial liabilities are set out below.

(i) Borrowings

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial liabilities *(Continued)*

(ii) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

(r) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Sales of goods

Revenue from the sales of toys and gifts is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 balance sheet date.

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

(ii) Pension obligations — defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees in the Company's subsidiaries operating in the PRC are members of retirement benefits schemes (the "PRC RB Schemes") operated by the local municipal governments. The PRC subsidiaries are required to contribute to the PRC RB Schemes to fund the retirement benefits. The local municipal governments undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the PRC RB Schemes is to meet the required contributions under the PRC RB Schemes. The contributions are charged to the profit or loss as they become payable in accordance with the relevant laws and regulations of the PRC.

The Group has no further obligations to pay once the contributions have been paid for these Schemes.

(u) Share-based payments

The Group issues equity-settled payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. All share-based payments are recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. It recognises the impact of the revision to original estimates in the consolidated income statement, with a corresponding adjustment to equity.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(v) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Current and deferred tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Outside basis differences *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Related parties

A related party is a person or entity that is related to the Group.

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

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

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Company or its parent.

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

(1) 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).

(2) 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).

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(y) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(aa) Borrowing costs

General and specific 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 added to 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.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Fund availability

In order to fund the daily operation and the future expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. Management considers such funding for the future operation and expansion will be available as and when required. The basis of preparing these consolidated financial statements under the going concern assumption have been discussed in note 2.1.

(b) Recoverability of exploration and evaluation assets

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK$147,805,000, in aggregate, as at 31 December 2014 (2013: HK$148,312,000) by reference to their respective fair values. The directors appointed Grant Sherman Appraisal Limited ("Grant Sherman"), an independent firm of professional valuer, to determine the fair values of the mines owned by the Group.

The fair values were developed primarily through the application of a market valuation methodology, where certain estimates and assumptions were used (note 15). The directors have exercised their judgements and have made their best estimate of all relevant factors to be included in the valuation model and are satisfied that the method of valuation is reflective of the current market conditions. However, such estimates and assumptions were subject to significant uncertainties and judgements. If any of the estimates and assumptions being used has changed, the aggregate recoverable amount of the exploration and evaluation assets would be different and thus may have an impact on the consolidated financial statements.

If the recoverable values of the exploration and evaluation assets increase/decrease by 10%, the provision for impairment of exploration and evaluation assets will decrease/increase by approximately HK$14,800,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Fair values of investment properties, leasehold land and buildings

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimated. In making its estimates, the Group considers the information from the valuations of investment properties (note 14) and leasehold land and buildings (note 12) performed by an external professional valuer by using the market approach. Had the Group used different valuation techniques, the fair value of the investment properties, leasehold land and buildings would be different and thus may have an impact on the consolidated financial statements.

The fair values of investment properties and leasehold land and buildings would change by approximately HK$1,010,000 and HK$5,565,000 respectively if the market values of comparable properties or the unobservable inputs adopted under the valuation approach differ by 10% from the Group's estimates.

(d) Share-based payment expenses

The fair value of the share options granted to certain directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, various valuation models were used, which require the input of subjective assumptions. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer tastes and competitors' actions.

(f) Impairment loss for bad and doubtful debts

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Current and deferred income taxes

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

Deferred income tax assets relating to certain temporary difference and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(h) Estimated impairment of investments in subsidiaries, investment in an associate and non-financial assets

The Group assesses whether investments in subsidiaries, investment in an associate and non-financial assets have suffered any impairment in accordance with the accounting policy. The recoverable amounts of investments in subsidiaries, investment in an associate and non-financial assets have been determined based on value in use calculations or market valuations. These calculations require the use of judgement and estimates, in particular of future revenue or cash flow. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their recoverable amounts.

(i) Purchase price allocation upon acquisition of an associate

Purchase prices related to acquisition of an associate are allocated to the underlying assets and liabilities of the investee based on their estimated fair value at the time of acquisition. The determination of fair value requires director to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities assumed. As a result, the purchase price allocation impacts the share of net assets and results of the investee by the Group.

(j) Estimated fair value of the convertible bonds

The fair values of convertible bonds that are not traded in an active market are determined by using valuation techniques. The directors have used a Binomial Option Pricing Model to determine the fair values of the convertible bonds. Significant judgement on parameters is required to be made by the directors in applying the Binomial Option Pricing Model. The fair value of the liability component of the convertible bonds is determined by discounted cash flow method using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflected credit risk of the Company. The residual amount, representing the value of the equity conversion component, was included in equity as “Convertible bonds equity reserve”.

5 FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies (HK$, Renminbi ("RMB") and United States Dollars ("US$")) of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged with US$, management is of the view that there is no significant foreign exchange risk to the Group.

Included in the bank and cash balances of the Group is an aggregate amount of approximately HK$2,029,000 denominated in RMB at 31 December 2014 (2013: HK$5,034,000). 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, if Renminbi had strengthened/weakened by 5% (2013: 5%) against Hong Kong dollars with all other variables held constant, pre-tax loss for the year would have been approximately HK$101,000 higher/lower (2013: HK$252,000 higher/lower) mainly as a result of foreign exchange losses/gains on translation of cash and cash equivalents, trade receivables, trade payables and borrowings denominated in non-functional currency of the relevant group companies.

(b) Credit risk

The carrying amounts of the trade and other receivables, and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

At 31 December 2014, 37% (2013: 24%) and 73% (2013: 63%) of the total trade receivables were due from the Group's largest customer and the five largest customers at 31 December 2014, respectively. It has policies in place to ensure that sales are made to customers with an appropriate credit history. For credit exposures to customers, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral.

The Group's bank deposits are all deposited in renowned and established banks or financial institutions in Hong Kong, the PRC and the U.S.A.. Management considers that the credit risk associated with deposits with banks and financial institutes is low.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The maturity analysis of the Group's and the Company's financial liabilities are as follows:

	Total contractual undiscounted cash flow HK$'000	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000
Group					
At 31 December 2014					
Trade payables	**17,119**	**17,119**	**–**	**–**	**–**
Accruals and other payables	**32,659**	**32,659**	**–**	**–**	**–**
Convertible bonds	**30,000**	**–**	**–**	**30,000**	**–**
Borrowings and related interest payments	**72,889**	**69,929**	**815**	**2,145**	**–**
At 31 December 2013					
Trade payables	14,337	14,337	–	–	–
Accruals and other payables	36,443	36,443	–	–	–
Borrowings and related interest payments	82,285	78,515	675	2,457	638
Company					
At 31 December 2014					
Accruals and other payables	**12,767**	**12,767**	**–**	**–**	**–**
Convertible bonds	**30,000**	**–**	**–**	**30,000**	**–**
Borrowings and related interest payments	**12,682**	**12,682**	**–**	**–**	**–**
Due to subsidiaries	**11,727**	**11,727**	**–**	**–**	**–**
At 31 December 2013					
Accruals and other payables	22,303	22,303	–	–	–
Borrowings and related interest payments	22,099	22,099	–	–	–
Due to subsidiaries	13,124	13,124	–	–	–

The basis of preparing these consolidated financial statements under the going concern basis have been discussed in note 2.1.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash and interest-bearing loans. Borrowings issued at variable rates exposed the Group to cash flow interest rate. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group manages its interest rate exposure from cash through placing them into appropriate short term deposits with a mixture of variable and fixed rates and manages the exposure of its major interest-bearing loans through the use of fixed rates loan agreements.

At 31 December 2014, if interest rate had increased/decreased by 200 basis points, pre-tax loss for the year would have been approximately HK$760,000 (2013: HK$341,000) higher/lower mainly as a result of an increase/a decrease in interest rate applied to the Group's floating-rate loans.

(e) Fair values estimation

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

See notes 12 and 14 for disclosures of the property, plant and equipment and investment properties respectively, that are measured at fair value.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to continue with the expansion plan of the Group's businesses. In order to fund the daily operation and the expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The directors consider such funding for the future operation and expansion will be available as and when required.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2014 and 2013.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Capital risk management *(Continued)*

The Group monitors capital using a gearing ratio, which is the Group's net debts (comprising trade payables, accruals and other payables, income tax payable and borrowings less bank and cash balances) over its total equity. The Company's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2014 was 33.57% (2013: 79.95%).

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

(g) Offsetting financial assets and financial liabilities

There is no material financial assets or liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

6 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2014 **HK$'000**	2013 HK$'000
Turnover		
Sales of goods	**229,022**	169,910
Other income		
Moulds income	**201**	337
Interest income	**10**	22
Rental income (note 14)	**1,021**	989
Others	**578**	568
	1,810	1,916

6 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Segment information

The Group has three reportable segments as follows:

Exploration	–	Exploration of natural resources
Toys and gifts items	–	Manufacturing and trading of toys and gifts items
Fruit plantation	–	Investment in business related to fruit plantation through an associate of the Group (note 17)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include property, plant and equipment, bank and cash balances and prepayments, deposits and other receivables at corporate level. Segment liabilities do not include borrowings, accruals and other payables and convertible bonds at corporate level.

(a) Information about reportable segment results, segment assets and segment liabilities:

	Exploration		Toys and gifts items		Fruit plantation		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Year ended 31 December								
Revenue from external customers	**–**	–	**229,022**	169,910	**–**	–	**229,022**	169,910
Segment loss	**(734)**	(33,916)	**(414)**	(16,681)	**(460,780)**	–	**(461,928)**	(50,597)
Depreciation and amortisation	**(8)**	(8)	**(5,331)**	(8,902)	**–**	–	**(5,339)**	(8,910)
Provision for impairment of exploration and evaluation assets	**–**	(38,252)	**–**	–	**–**	–	**–**	(38,252)
Provision for impairment of investment in an associate	**–**	–	**–**	–	**(453,886)**	–	**(453,886)**	–
Interest income	**9**	21	**1**	1	**–**	–	**10**	22
Interest expenses	**–**	–	**(3,526)**	(2,781)	**–**	–	**(3,526)**	(2,781)
Income tax credit/(expenses)	**–**	7,977	**293**	(4,056)	**–**	–	**293**	3,921
At 31 December								
Segment assets	**148,555**	151,436	**156,985**	149,411	**143,339**	–	**448,879**	300,847
Segment liabilities	**(19,665)**	(19,818)	**(105,064)**	(98,304)	**–**	–	**(124,729)**	(118,122)
Additions to segment non-current assets	**–**	–	**3,030**	2,046	**601,121**	–	**604,151**	2,046

6 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Reconciliation of reportable segment results, segment assets and segment liabilities:

	2014 HK$'000	2013 HK$'000
Reconciliation of segment results:		
Total loss of reportable segments	**(461,928)**	(50,597)
Unallocated amount:		
Corporate finance costs	**(7,496)**	(3,557)
Other corporate income and expenses	**(39,248)**	(15,596)
Loss for the year	**(508,672)**	(69,750)
Reconciliation of segment assets:		
Total assets of reportable segments	**448,879**	300,847
Unallocated corporate assets		
Property, plant and equipment	**2,005**	–
Bank and cash balances	**6,492**	28
Prepayments, deposits and other receivables	**4,401**	209
	12,898	237
Total assets	**461,777**	301,084
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	**124,729**	118,122
Unallocated corporate liabilities		
Borrowings	**6,357**	18,300
Accruals and other payables	**17,293**	25,204
Convertible bonds	**20,207**	–
	43,857	43,504
Total liabilities	**168,586**	161,626

6 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(c) Analysis of revenue by geographical location of customers:

	2014 HK$'000	2013 HK$'000
The PRC (including Hong Kong)	287	2,840
North America[1]	211,863	152,885
European Union[2]	10,738	9,232
Others[3]	6,134	4,953
	229,022	169,910

1 North America includes the United States of America (the "USA") and Canada.

2 European Union includes Spain, Italy, France and the United Kingdom.

3 Others include Middle East, South America and Southeast Asia.

Revenue from two customers, each accounted for more than 10% of the Group's total revenue for the year, represented approximately 47% and 13% of the total Group's revenue for the year ended 31 December 2014, respectively (2013: 35% and 17%).

(d) Analysis of revenue by category:

	2014 HK$'000	2013 HK$'000
Sales of toys and gifts items	229,022	169,910

(e) Analysis of non-current assets by geographical locations:

	2014 HK$'000	2013 HK$'000
The PRC (including Hong Kong)	371,981	229,763
USA	1,631	1,661
	373,612	231,424

7 FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on:		
Bank borrowings and overdrafts		
wholly repayable within 5 years	**2,702**	2,622
Other loans	**5,842**	3,557
Trust receipt loans	**567**	159
Convertible bonds wholly repayable within 3 years (note 25)	**1,911**	–
	11,022	6,338

8 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong Profits Tax		
Provision for the year	**382**	1,082
(Over)/under-provision of prior years	**(103)**	49
	279	1,131
Overseas		
Provision for the year	**1,226**	691
Under-provision of prior years	**–**	254
	1,226	945
Total current tax	**1,505**	2,076
Deferred income tax (note 26)	**(1,798)**	(5,997)
Income tax credit	**(293)**	(3,921)

8 INCOME TAX CREDIT *(Continued)*

The reconciliation between the income tax credit and loss before tax multiplied by Hong Kong profits tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	**(508,965)**	(73,671)
Share of result of an associate	**(3,896)**	–
	(505,069)	(73,671)
Tax at the applicable tax of 16.5% (2013: 16.5%)	**(83,336)**	(12,156)
Tax effect of income that is not taxable	**(450)**	(75)
Tax effect of expenses that are not deductible	**86,023**	7,211
Tax effect of utilisation of tax losses not previously recognised	**(206)**	–
Tax effect of unused tax losses not recognised	**–**	834
Tax effect of temporary differences (over)/under-recognised	**(2,056)**	1,891
(Over)/under-provision for prior years	**(103)**	303
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(165)**	(1,929)
Income tax credit	**(293)**	(3,921)

Tax charge relating to each component of other comprehensive (loss)/income is as follows:

	2014			2013		
	Amount before tax HK$'000	**Tax HK$'000**	**Amount after tax HK$'000**	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	**(537)**	**–**	**(537)**	5,176	–	5,176
Surplus on revaluation of properties	**176**	**(259)**	**(83)**	2,609	411	3,020
Other comprehensive (loss)/income	**(361)**	**(259)**	**(620)**	7,785	411	8,196
Current tax		**–**			–	
Deferred income tax (note 26)		**(259)**			411	
		(259)			411	

9 LOSS FOR THE YEAR

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

	2014 **HK$'000**	2013 HK$'000
Amortisation of other intangible asset (note 16)	**11**	12
Auditor's remuneration	**2,400**	2,000
Provision for impairment of trade receivables (note 20)	**87**	11
Provision for impairment of other receivables[1]	**394**	403
(Write back of provision)/provision for inventories obsolescence	**(1,625)**	393
Cost of inventories sold	**113,829**	85,051
Depreciation of property, plant and equipment (note 12)	**5,279**	8,779
Amortisation of prepaid land lease payments (note 13)	**120**	119
Fair value (gain)/loss on investment properties (note 14)[1]	**(32)**	36
Write-off and loss on disposals of property, plant and equipment[1]	**412**	1,485
Minimum lease payments under operating leases in respect of leasehold land and buildings	**5,991**	5,633
Net foreign exchange loss[1]	**384**	107
Staff costs (excluding directors' remuneration (note 11))		
Salaries, bonus and allowance	**42,934**	34,524
Retirement benefits scheme contributions	**1,701**	1,703
Share-based payment expenses	**12,505**	–
	57,140	36,227

[1] Included in other losses, net

10 LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company, if any.

The calculations of basic and diluted loss per share are based on the following:

	2014 **HK$'000**	2013 HK$'000
Loss attributable to the equity holders of the Company		
Loss for the purpose of calculating basic and diluted loss per share	**(509,606)**	(71,826)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,613,523,241**	1,193,860,934

For the years ended 31 December 2014 and 31 December 2013, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the share options.

As the Group has incurred a loss for the year ended 31 December 2014, the conversion of all potential ordinary shares arising from the convertible bonds would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the convertible bonds.

11 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

For the year ended 31 December 2014

Name of directors	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Hui Kee Fung[1]	–	2,431	718	17	3,166
Mr. Yu Won Kong, Dennis[2]	–	3,900	315	14	4,229
Mr. Cheung Kai Fung	–	1,235	431	17	1,683
Mr. Long Tien Ian (appointed on 10 September 2014)	–	1,200	423	6	1,629
Non-executive director					
Mr. Lam Kit Sun	–	240	–	–	240
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	120	–	–	–	120
Mr. Zhang Xianmin	120	–	–	–	120
Mr. So Chun Pong, Ricky	120	–	–	–	120
	360	9,006	1,887	54	11,307

11 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

For the year ended 31 December 2013

Name of directors	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Hui Kee Fung[1]	–	2,262	–	15	2,277
Mr. Yu Won Kong, Dennis[2]	–	3,900	–	15	3,915
Mr. Cheung Kai Fung	–	558	–	6	564
Non-executive director					
Mr. Lam Kit Sun	–	820	–	9	829
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	120	–	–	–	120
Mr. Zhang Xianmin	120	–	–	–	120
Mr. So Chun Pong, Ricky	70	–	–	–	70
Mr. Jin Peihuang (resigned on 31 May 2013)	50	–	–	–	50
	360	7,540	–	45	7,945

1 Chairman

2 Chief executive officer

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2013: HK$Nil).

11 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals' remuneration

The five highest paid individuals during the year included four (2013: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2013: two) highest paid individual are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and benefits in kind	**1,711**	2,579
Retirement benefits scheme contributions	**83**	125
	1,794	2,704

The emoluments fell within the following band:

	Number of individuals	
	2014	2013
HK$Nil–HK$1,000,000	**–**	1
HK$1,500,001–HK$2,000,000	**1**	1
	1	2

During the year, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2013: HK$Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2013	57,831	3,425	12,570	39,687	9,331	3,721	126,565
Additions	–	125	139	655	1,127	–	2,046
Adjustment on revaluation to equity	(147)	–	–	–	–	–	(147)
Disposal/written off	–	–	(825)	(9,689)	(1,563)	(575)	(12,652)
Exchange difference	556	–	234	871	605	86	2,352
At 31 December 2013	**58,240**	**3,550**	**12,118**	**31,524**	**9,500**	**3,232**	**118,164**
Additions	**–**	**2,310**	**196**	**1,116**	**1,483**	**–**	**5,105**
Reclassification	**1,064**	**–**	**–**	**–**	**(1,064)**	**–**	**–**
Adjustment on revaluation to equity	**(2,684)**	**–**	**–**	**–**	**–**	**–**	**(2,684)**
Disposal/written off	**(893)**	**–**	**(82)**	**–**	**(276)**	**–**	**(1,251)**
Exchange difference	**(77)**	**5**	**(25)**	**(58)**	**(4)**	**(9)**	**(168)**
At 31 December 2014	**55,650**	**5,865**	**12,207**	**32,582**	**9,639**	**3,223**	**119,166**
Accumulated depreciation and impairment							
At 1 January 2013	–	3,202	9,889	31,966	6,271	3,243	54,571
Charge for the year	2,756	113	346	4,785	625	154	8,779
Adjustment on revaluation to equity	(2,756)	–	–	–	–	–	(2,756)
Disposal/written off	–	–	(711)	(8,541)	(1,382)	(533)	(11,167)
Exchange difference	–	–	177	747	540	(10)	1,454
At 31 December 2013	**–**	**3,315**	**9,701**	**28,957**	**6,054**	**2,854**	**50,881**
Charge for the year	**2,860**	**176**	**314**	**1,315**	**583**	**31**	**5,279**
Reclassification	**543**	**–**	**–**	**–**	**(543)**	**–**	**–**
Adjustment on revaluation to equity	**(2,860)**	**–**	**–**	**–**	**–**	**–**	**(2,860)**
Disposal/written off	**(543)**	**–**	**(74)**	**–**	**(222)**	**–**	**(839)**
Exchange difference	**–**	**–**	**(17)**	**(48)**	**(6)**	**(7)**	**(78)**
At 31 December 2014	**–**	**3,491**	**9,924**	**30,224**	**5,866**	**2,878**	**52,383**
Carrying amount							
At 31 December 2014	**55,650**	**2,374**	**2,283**	**2,358**	**3,773**	**345**	**66,783**
At 31 December 2013	58,240	235	2,417	2,567	3,446	378	67,283

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Group						
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014							
At cost	**–**	**5,865**	**12,207**	**32,582**	**9,639**	**3,223**	**63,516**
At valuation	**55,650**	**–**	**–**	**–**	**–**	**–**	**55,650**
	55,650	**5,865**	**12,207**	**32,582**	**9,639**	**3,223**	**119,166**
31 December 2013							
At cost	–	3,550	12,118	31,524	9,500	3,232	59,924
At valuation	58,240	–	–	–	–	–	58,240
	58,240	3,550	12,118	31,524	9,500	3,232	118,164

During the year ended 31 December 2014, the Company did not acquire or dispose of any property, plant and equipment, and no depreciation (2013: HK$Nil) was charged to income statement. At 31 December 2014 and 2013, the leasehold improvements, the only property, plant and equipment of the Company, was fully depreciated.

An analysis of the carrying amounts of the Group's leasehold land and buildings is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Held under medium term leases in Hong Kong	**41,450**	40,340
Held under medium term leases in the PRC	**14,200**	17,900
	55,650	58,240

At 31 December 2014, the Group's property, plant and equipment with an aggregate carrying amount of HK$54,200,000 (2013: HK$56,790,000) were pledged to secure banking facilities granted to the Group (note 24).

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses of approximately HK$1,745,000 (2013: HK$5,352,000) and HK$3,534,000 (2013: HK$3,427,000) have been charged in "cost of sales" and "administrative expenses" in the consolidated income statement, respectively.

Fair value hierarchy

	Leasehold land and buildings (Note)		
	Hong Kong HK$'000	**PRC** HK$'000	**Total** HK$'000
At 1 January 2014	**40,340**	**17,900**	**58,240**
Surplus/(deficit) on revaluation	**3,183**	**(3,007)**	**176**
Depreciation	**(2,073)**	**(787)**	**(2,860)**
Reclassification	**–**	**521**	**521**
Disposal/written off	**–**	**(350)**	**(350)**
Exchange differences	**–**	**(77)**	**(77)**
At 31 December 2014	**41,450**	**14,200**	**55,650**
Total revaluation gain/(loss) for the year credited/(charged) to the property revaluation reserve	**3,183**	**(3,007)**	**176**
At 1 January 2013	39,630	18,201	57,831
Surplus/(deficit) on revaluation	2,727	(118)	2,609
Depreciation	(2,017)	(739)	(2,756)
Exchange differences	–	556	556
At 31 December 2013	40,340	17,900	58,240
Total revaluation gain/(loss) for the year credit/(charged) to the property revaluation reserve	2,727	(118)	2,609

Note: All the leasehold land and buildings are measured under Level 3, inputs for the asset or liability are not based on observable market data (that is, unobservable inputs)

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

There were no transfers among Levels 1, 2 and 3 during the year.

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Valuation basis

(a) Valuation processes

The Group obtains independent valuations for its leasehold land and building and investment properties (note 14) at least annually. In the current year, the valuations are performed by Grant Sherman, an independent firm of professional valuer. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors review the valuations performed by Grant Sherman for financial reporting purposes. Discussions of valuation processes and results are held between the directors and valuer at least annually, in line with the Group's annual report date.

At each financial year end the directors:

(i) verify all major inputs to the independent valuation report;

(ii) assess property valuations movements when compared to prior year valuation report; and

(iii) hold discussions with the independent valuer.

(b) Valuation techniques

For leasehold land and buildings and investment properties located in Hong Kong and the PRC, the valuation was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for significant unobservable inputs.

Description	Fair value at 31 December 2014 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Leasehold land and building – Hong Kong	1,450	Direct comparison approach	HK$1,228,000 – HK$1,880,000 per unit	The higher the price, the higher the fair value
Leasehold land and building – Hong Kong	40,000	Direct comparison approach	HK$2,896 – HK$3,263 per square feet	The higher the price, the higher the fair value
Leasehold land and building – Putian, the PRC	14,200	Direct comparison approach	HK$160 – HK$705 per square meter	The higher the price, the higher the fair value

Description	Fair value at 31 December 2013 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Leasehold land and building – Hong Kong	1,450	Direct comparison approach	HK$936,000 – HK$2,400,000 per unit	The higher the price, the higher the fair value
Leasehold land and building – Hong Kong	38,890	Direct comparison approach	HK$2,176 – HK$3,319 per square feet	The higher the price, the higher the fair value
Leasehold land and building – Putian, the PRC	17,900	Direct comparison approach	HK$456 – HK$613 per square meter	The higher the price, the higher the fair value

13 PREPAID LAND LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2013	5,789
Exchange difference	181
At 31 December 2013	5,970
Exchange difference	(20)
At 31 December 2014	5,950
Accumulated amortisation	
At 1 January 2013	1,034
Charge for the year (note 9)	119
Exchange difference	34
At 31 December 2013	1,187
Charge for the year (note 9)	120
Exchange difference	(3)
At 31 December 2014	1,304
Carrying amount	
At 31 December 2014	4,646
At 31 December 2013	4,783

Amortisation of prepaid land lease payments has been included in "administrative expenses" in the consolidated income statement.

13 PREPAID LAND LEASE PAYMENTS *(Continued)*

The Group's prepaid land lease payments are analysed as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Held under medium term leases in the PRC	**4,646**	4,783

At 31 December 2014, the Group's prepaid land lease payments with an aggregate carrying amount of approximately HK$4,646,000 (2013: HK$4,783,000) were pledged to secure banking facilities granted to the Group (note 24).

At 31 December 2014, prepaid land lease payments of approximately HK$4,526,000 (2013: HK$4,659,000) were classified as non-current assets while approximately HK$120,000 (2013: HK$124,000) were classified as current assets and grouped under "prepayments, deposits and other receivables" in the consolidated statement of financial position.

14 INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**10,100**	9,850
Exchange difference	**(32)**	286
Fair value gain/(loss) (note 9)	**32**	(36)
At 31 December	**10,100**	10,100

14 INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties are analysed as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Held under medium term leases in Hong Kong	**700**	700
Held under medium term leases in the PRC	**9,400**	9,400
	10,100	10,100

The Group leases out investment properties under operating leases. The leases typically run for 1 year.

The amounts recognised in the consolidated income statement for investment properties are as follows:

	2014 **HK$'000**	2013 HK$'000
Rental income (note 6)	**1,021**	989
Direct operating expenses from property that generated rental income	**(1)**	(1)
	1,020	988

As at 31 December 2014, the Group had no significant unprovided contractual obligations for future repairs and maintenance (2013: Nil).

At 31 December 2014, the Group's investment properties with an aggregate carrying amount of approximately HK$9,400,000 (2013: HK$9,400,000) were pledged to secure banking facilities granted to the Group (note 24).

14 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

	Investment properties (Note)		
	Hong Kong	**The PRC**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2014	**700**	**9,400**	**10,100**
Fair value gain	**–**	**32**	**32**
Exchange difference	**–**	**(32)**	**(32)**
At 31 December 2014	**700**	**9,400**	**10,100**
Total fair value gain for the year included in consolidated income statement for assets held at the end of the year, under "Other losses, net"	**–**	**32**	**32**
At 1 January 2013	650	9,200	9,850
Fair value gain/(loss)	50	(86)	(36)
Exchange difference	–	286	286
At 31 December 2013	700	9,400	10,100
Total fair value gain/(loss) for the year included in consolidated income statement for assets held at the end of the year, under "Other losses, net"	50	(86)	(36)

Note: All the properties are measured under Level 3, inputs for the asset or liability are not based on observable market data (that is, unobservable inputs).

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

There were no transfers among Levels 1, 2 and 3 during the year.

14 INVESTMENT PROPERTIES *(Continued)*

Valuation basis

The valuation basis of investment properties was mentioned in note 12.

Description	Fair value at 31 December 2014 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Car parking space – Hong Kong	700	Direct comparison approach	HK$720,000 – HK$1,303,000 per unit	The higher the price, the higher the fair value
Office unit – Fuzhou, the PRC	9,400	Direct comparison approach	HK$15,845 – HK$19,098 per square meter	The higher the price, the higher the fair value

Description	Fair value at 31 December 2013 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Car parking space – Hong Kong	700	Direct comparison approach	HK$670,000 – HK$868,000 per unit	The higher the price, the higher the fair value
Office unit – Fuzhou, the PRC	9,400	Direct comparison approach	HK$19,190 – HK$20,587 per square meter	The higher the price, the higher the fair value

15 EXPLORATION AND EVALUATION ASSETS

	Group HK$'000
Cost	
At 1 January 2013	1,372,344
Exchange difference	42,940
At 31 December 2013	1,415,284
Exchange difference	(4,843)
At 31 December 2014	1,410,441
Accumulated impairment loss	
At 1 January 2013	1,191,440
Impairment loss	38,252
Exchange difference	37,280
At 31 December 2013	1,266,972
Exchange difference	(4,336)
At 31 December 2014	1,262,636
Carrying amount	
At 31 December 2014	147,805
At 31 December 2013	148,312

15 EXPLORATION AND EVALUATION ASSETS *(Continued)*

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("BCF") and Guerbanhada Coal Mine ("GCM"). At 31 December 2014, the carrying amount is attributable to BCF of approximately HK$108,441,000 (2013: HK$108,813,000) and GCM of approximately HK$39,364,000 (2013: HK$39,499,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 23 September 2013 to 22 September 2015, respectively.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2014 using the fair value less costs to sell model. The recoverable amounts of the exploration and evaluation assets were valued by Grant Sherman (note 4(b)).

The fair values were developed primarily through the application of a market valuation methodology, where comparable acquisition of exploration and evaluation assets were identified and analysed to determine the approximate value of the Group's assets.

To derive the fair values, such approximate values were then adjusted to reflect (i) the estimated difference in coal quality and coal type among the identified comparable transactions and the mines owned by the Group; and (ii) the estimated time difference between the comparable transactions and the valuation date; and (iii) the estimated likelihood that the licences would be sold in open market or returned to the government to seek for compensation.

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK$147,805,000, in aggregate, as at 31 December 2014 (2013: HK$148,312,000) by reference to their respective fair values.

16 OTHER INTANGIBLE ASSET

	Group Trademark HK$'000 (note a)
Cost	
At 1 January 2013, 31 December 2013 and 31 December 2014	1,155
Accumulated amortisation	
At 1 January 2013	73
Amortisation for the year (note 9)	12
At 31 December 2013	85
Amortisation for the year (note 9)	11
At 31 December 2014	96
Carrying amount	
At 31 December 2014	1,059
At 31 December 2013	1,070

Note:

(a) The amortisation of approximately HK$11,000 (2013: HK$12,000) (note 9) has been included in "selling and distribution costs" in the consolidated income statement.

17 INVESTMENT IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position are as follows:

	2014 HK$'000
At 1 January	–
Acquisition	601,121
Provision for impairment of investment in an associate	(453,886)
Share of loss	(3,896)
At 31 December	143,339

The amount recognised in the consolidated income statement are as follows:

	HK$'000
For the period from the date of acquisition to 31 December 2014	(3,896)

17 INVESTMENT IN AN ASSOCIATE *(Continued)*

Acquisition of the Multijoy Group

On 17 September 2014, the Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the "Multijoy Group"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, at a total consideration satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company (the "Consideration Shares") at HK$0.15 per Consideration Share; and (ii) the issuance of convertible bonds of the Company with face value of HK$136,000,000 (the "Convertible Bonds") to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014. The Convertible Bonds can be convertible into a maximum of 906,666,666 ordinary shares of the Company at a conversion price of HK$0.15 per share (see note 25).

The Multijoy Group is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "Forest Land"). Pursuant to the forestry concession rights certificates, the forestry concession rights are valid for a term from 24 November 2011 to 31 December 2048.

The Multijoy Group appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income.

On 17 September 2014, being the date of acquisition, the fair value of the Consideration Shares was approximately HK$184,000,000 and the fair value of the Convertible Bonds was approximately HK$417,121,000 (note 25). At the date of acquisition, management assessed the recoverable amount of the investment in the Multijoy Group by using the direct comparison approach, where comparable tangerine plantation businesses with fixed royalty income were identified and analysed. The fair value of the Company's share of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was approximately HK$147,235,000. Therefore, the excess of (i) the fair value of the total consideration of approximately HK$601,121,000 over (ii) the fair value of the Company's share of net identifiable assets acquired of approximately HK$147,235,000 was considered to be immediately impaired, and as a result, a provision for impairment of investment in an associate of approximately HK$453,886,000 was recorded in the consolidated financial statements.

The Multijoy Group is a private group and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.

Summarised financial information of the associate

Set out below are the summarised financial information of the Multijoy Group which are accounted for using the equity method.

17 INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised statement of financial position

	The Multijoy Group 2014 HK$'000
Current	
Total current assets	**400**
Total current liabilities	**(10,228)**
Non-current	
Total non-current assets	**694,165**
Total non-current liabilities	**(172,411)**

Summarised income statement

	The Multijoy Group For the period from date of acquisition to 31 December 2014 HK$'000
Revenue	**9,749**
Loss before income tax for the period	**12,942**
Loss after income tax for the period	**13,913**

18 INVESTMENTS IN SUBSIDIARIES

	Company 2014 HK$'000	2013 HK$'000
Unlisted investments at cost	**1,602,888**	1,001,767
Due from subsidiaries	**255,576**	240,851
Less: Impairment losses	**(1,521,033)**	(1,046,768)
	337,431	195,850

The amounts due from subsidiaries under non-current assets are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation/ registration and kind of legal entity	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Percentage of equity interests held by non-controlling interests	Principal activities and place of operation
			Directly	Indirectly		
Legend Wealth Holdings Limited	BVI, limited liability company	50,500 ordinary shares of US$1 each	100%	–	–	Investment holding, Hong Kong
King Wish Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	–	Investment holding, Hong Kong
Super Dragon Management Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	–	Provision of management service, Hong Kong
Bestever Developments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Better Sourcing Worldwide Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	–	51%	49%	Trading of gifts and toys, Hong Kong
Kiu Hung Industries Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	–	Trading of gifts and toys, Hong Kong

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Percentage of equity interests held by non-controlling interests	Principal activities and place of operation
			Directly	Indirectly		
Kiu Hung Toys Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	–	100%	–	Investment holding, Hong Kong
Newgary Development Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	–	100%	–	Property holding, Hong Kong
Toland International Limited	Hong Kong, limited liability company	4,200,000 ordinary shares of HK$1 each	–	70%	30%	Trading of flags and garden products, Hong Kong
福建奇嘉禮品玩具有限公司 (Fujian Kcare Giftoys Co., Ltd.[1])	The PRC, limited liability company	RMB10,000,000	–	100%	–	Manufacture and trading of gifts and toys, The PRC
福建嘉雄玩具有限公司 (Fujian Ka Hung Toys Co., Ltd.[1])	The PRC, limited liability company	RMB10,000,000	–	100%	–	Manufacture and trading of gifts and toys, The PRC
內蒙古銘潤峰能源有限公司 (Inner Mongolia Mingrunfeng Energy Co., Ltd.[1])	The PRC, limited liability company	RMB53,000,000	–	100%	–	Exploration and mining, The PRC

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Percentage of equity interests held by non-controlling interests	Principal activities and place of operation
			Directly	Indirectly		
內蒙古潤恒礦業有限公司 (Inner Mongolia Run Heng Mining Company Limited[1])	The PRC, limited liability company	RMB56,014,705	–	100%	–	Exploration and mining, The PRC
Bright Asset Investments Limited	BVI, limited liability company	10,000 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
First Choice Resources Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Growth Gain Investments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Jumplex Investments Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Lucky Dragon Resources Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Top Point Investments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment in securities, Hong Kong
Wise House Limited	BVI, limited liability company	36,000 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Marketing Resource Group Inc.	The USA, limited liability company	350,000 ordinary shares of US$1 each	–	51%	49%	Trading of flags and garden products, The USA

1 For identification purpose

19 INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**7,419**	11,177
Work in progress	**4,767**	3,860
Finished goods	**6,137**	12,156
	18,323	27,193
Less: Provision for inventories obsolescence	**(2,683)**	(4,308)
	15,640	22,885

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$113,829,000 (2013: HK$85,051,000).

20 TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**31,041**	18,521
Less: provision for impairment	**(98)**	(11)
Trade receivables, net	**30,943**	18,510
Bills receivables	**2,570**	–
	33,513	18,510

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

20 TRADE AND BILLS RECEIVABLES *(Continued)*

The movements in provision for trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**11**	–
Provision for impairment (note 9)	**87**	11
At 31 December	**98**	11

The provision for impairment of trade receivables has been included in "administrative expenses" in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The ageing analysis of net trade receivables as at the end of reporting period, based on invoice dates, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**16,102**	11,776
31 days to 90 days	**10,424**	5,658
91 days to 180 days	**4,295**	985
181 days to 360 days	**122**	49
Over 360 days	**–**	42
	30,943	18,510

20 TRADE AND BILLS RECEIVABLES *(Continued)*

At 31 December 2014, trade receivables of approximately HK$12,466,000 (2013: HK$5,584,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables, based on the number of overdue days, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 90 days	**8,968**	4,912
91 days to 180 days	**3,385**	582
181 days to 360 days	**113**	38
Over 360 days	**–**	52
	12,466	5,584

At 31 December 2014, trade receivables of approximately HK$98,000 (2013: HK$11,000) were impaired. The impaired receivables relate to customers which are unlikely to be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Over 360 days	**98**	11
	98	11

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

	Group	
	2014	2013
	HK$'000	HK$'000
US$	**30,542**	18,403
RMB	**401**	107
	30,943	18,510

At 31 December 2014 and 2013, the fair values of the trade and bills receivables approximate their carrying value.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables mentioned above.

21 BANK AND CASH BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**20,127**	18,710	**6,477**	28
Maximum exposure to credit risk	**19,989**	18,496	**6,468**	26

Bank and cash balances are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**7,384**	916	**6,470**	28
RMB	**2,029**	5,034	**7**	–
US$	**10,714**	12,760	**–**	–
	20,127	18,710	**6,477**	28

The conversion of RMB denominated balances into other currencies and the remittance of such bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22 TRADE PAYABLES

The ageing analysis of trade payables as at the end of reporting period, based on invoice dates, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**11,015**	9,690
31 days to 90 days	**3,429**	1,596
91 days to 180 days	**623**	2,109
181 days to 360 days	**284**	626
Over 360 days	**1,768**	316
	17,119	14,337

22 TRADE PAYABLES *(Continued)*

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

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**23**	9
US$	**3,821**	3,470
RMB	**13,275**	10,858
	17,119	14,337

At 31 December 2014 and 2013, the fair value of the trade payables approximate their carrying value.

23 DUE TO SUBSIDIARIES

The amounts due to subsidiaries under current liabilities of the Company are unsecured, interest-free and repayable on demand.

24 BORROWINGS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**38,008**	38,526	**–**	–
Trust receipt loans	**–**	3,760	**–**	–
Other loans	**25,838**	33,764	**6,357**	18,300
Bank overdrafts	**–**	107	**–**	–
Total borrowings	**63,846**	76,157	**6,357**	18,300
Secured (note (a))	**44,779**	58,964	**6,357**	16,300
Unsecured	**19,067**	17,193	**–**	2,000

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using an average effective interest rate of 13.02% (2013: 9.54%) and are within Level 2 of the fair value hierarchy.

24 BORROWINGS *(Continued)*

Notes:

(a) Facilities

At 31 December 2014, the Group's borrowings were secured by:

(i) charges over certain of the Group's property, plant and equipment, prepaid land lease payments and investment properties (notes 12, 13 and 14) of aggregate carrying value of approximately HK$68,246,000 (2013: HK$70,973,000);

(ii) a personal guarantee by the Company's directors (note 33(iv)) of approximately HK$7,822,000 (2013: HK$23,365,000); and

(iii) a personal guarantee by a director of the Company's indirect non-wholly owned subsidiary (note 33(iv)) of approximately HK$3,911,000 (2013: HK$3,889,000).

(b) Bank borrowings bear average effective interest rate of 13.02% annually (2013: 9.54% annually).

At 31 December 2014 and 31 December 2013, the borrowings, based on respective repayment schedules, were as follows:

	Group								Company	
	Bank borrowings and overdrafts		Trust receipts loan		Other loans		Total		Other loans	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within 1 year	**35,686**	35,597	**–**	3,760	**25,522**	33,493	**61,208**	72,850	**6,357**	18,300
Between 1 and 2 years	**544**	508	**–**	–	**136**	–	**680**	508	**–**	–
Between 2 and 5 years	**1,778**	1,909	**–**	–	**180**	271	**1,958**	2,180	**–**	–
Over 5 years	**–**	619	**–**	–	**–**	–	**–**	619	**–**	–
	38,008	38,633	**–**	3,760	**25,838**	33,764	**63,846**	76,157	**6,357**	18,300

	Group								Company	
	Bank borrowings and overdrafts		Trust loan		Other loans		Total		Other loans	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Wholly repayable within 5 years	**38,008**	35,328	**–**	3,760	**25,838**	33,764	**63,846**	72,852	**6,357**	18,300
Wholly repayable after 5 years	**–**	3,305	**–**	–	**–**	–	**–**	3,305	**–**	–
	38,008	38,633	**–**	3,760	**25,838**	33,764	**63,846**	76,157	**6,357**	18,300

24 BORROWINGS *(Continued)*

Notes: (Continued)

(c) The carrying amounts of the Group's and Company's borrowings are denominated in the following currencies:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
US$	**3,910**	7,650	**–**	–
HK$	**9,179**	21,605	**6,357**	18,300
RMB	**50,757**	46,902	**–**	–
	63,846	76,157	**6,357**	18,300

25 CONVERTIBLE BONDS

On 17 September 2014, the Company issued the 3-year Convertible Bonds as part of the consideration for the acquisition of an associate (note 17). The Convertible Bonds are interest free and convertible into 906,666,666 ordinary shares of the Company at a conversion price of HK$0.15 per share, at any time up from the date of issue to the maturity on 16 September 2017, subject to certain conversion restrictions.

The fair value of the Convertible Bonds as at 17 September 2014 as a whole was calculated using Binomial Option Pricing Model, which was estimated to be approximately HK$417,121,000. For accounting purpose, the fair value of the Convertible Bonds is divided into a liability component and an equity component. The fair value of the liability component as at 17 September 2014 was calculated using discounted cash flow method, which was estimated to be approximately HK$88,087,000. At the issue date, the difference between the fair value of the Convertible Bonds and the fair value of its liability component of approximately HK$329,034,000 representing conversion option for the holder of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company was included in shareholders' equity of the Company (as convertible bonds equity reserve).

Any amount of the Convertible Bonds which remains outstanding on the maturity date shall be, subject to conversion restriction, converted. In the event that the outstanding principal amount cannot be converted due to conversion restriction, such amount shall be redeemed at its then outstanding principal amount.

25 CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds recognised in the consolidated statement of financial position:

	Group and Company
	2014
	HK$'000
Fair value of the Convertible Bonds issued on 17 September 2014 (note17)	**417,121**
Equity component — Convertible bond equity reserve (note 28(b)) on initial recognition at 17 September 2014	**(329,034)**
Liability component on initial recognition at 17 September 2014	**88,087**
Interest expenses (note 7)	**1,911**
Converted into ordinary shares of the Company during the year	**(69,791)**
Liability component at 31 December 2014	**20,207**

During the year ended 31 December 2014, the Company issued 706,666,665 ordinary shares of HK$0.10 each in relation to the conversion of the Convertible Bonds at the conversion price of HK$0.15 per share.

The fair value of the Convertible Bonds of approximately HK$417,121,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

Fair value of shares of the Company	HK$0.46 per share
Conversion price	HK$0.15 per share
Coupon rate	0%
Risk free rate	0.78%
Time to maturity	3 years
Expected volatility	73.83%
Expected dividend yield	0%

The fair value of the liability component of approximately HK$88,087,000 at issue date is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	3 years
Effective interest rate	15%

Note: The Convertible Bonds are measured under Level 3, inputs for the valuation are not based on observable market data (that is, unobservable inputs).

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities related to income tax levied by same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

As at 31 December 2014 and 2013, majority of the deferred income tax assets and deferred income tax liabilities are expected to be crystalised/realised more than twelve months after reporting period end, respectively.

The net movements in the deferred income tax account is as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Beginning of the year	**(31,069)**	(36,559)
Credited to consolidated income statement (note 8)	**1,798**	5,997
(Charged)/credit to equity (note 8)	**(259)**	411
Exchange difference	**71**	(918)
End of the year	**(29,459)**	(31,069)

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax assets:

	Group **Total** **HK$'000**
Decelerated tax depreciation	
At 1 January 2013	411
Charged to consolidated income statement	(98)
Exchange difference	40
At 31 December 2013 and 1 January 2014	**353**
Credited to consolidated income statement	**24**
At 31 December 2014	**377**

26 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities:

	Group			
	Accelerated tax depreciation	Revaluation surplus on investment properties and leasehold land and buildings	Exploration and evaluation assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	–	10,103	26,867	36,970
Credit to equity	–	(411)	–	(411)
Charged/(credited) to consolidated income statement	180	1,702	(7,977)	(6,095)
Exchange difference	–	116	842	958
At 31 December 2013 and 1 January 2014	**180**	**11,510**	**19,732**	**31,422**
Charged to equity	**–**	**259**	**–**	**259**
Credited to consolidated income statement	**(113)**	**(1,661)**	**–**	**(1,774)**
Exchange difference	**–**	**(3)**	**(68)**	**(71)**
At 31 December 2014	**67**	**10,105**	**19,664**	**29,836**

The Group has tax losses arising in Hong Kong of approximately HK$9,982,000 (2013: HK$11,229,000) and the PRC of approximately HK$15,530,000 (2013: HK$15,530,000), which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose, respectively. The tax losses arising in Hong Kong have no expiry date. The tax losses arising in the PRC will be fully expired in 2016. No deferred tax assets have been recognised due to the unpredictability of future taxable profit of these subsidiaries. Tax losses of approximately HK$25,512,000 (2013: HK$26,759,000) is subject to further approval by relevant tax authorities.

27 SHARE CAPITAL

		Number of shares		Ordinary share capital	
	Note	**2014**	2013	**2014** **HK$'000**	2013 HK$'000
Authorised:					
Ordinary shares of HK$0.1 each	(note (a))	**4,000,000,000**	2,000,000,000	**400,000**	200,000
Issued and fully paid:					
At beginning of year		**1,193,860,934**	1,193,860,934	**119,386**	119,386
Issue of shares					
— on placements	(note (b))	**274,200,000**	–	**27,420**	–
— upon exercise of share options	(note (c))	**3,650,000**	–	**365**	–
— upon conversion of convertible bonds	(note (d))	**706,666,665**	–	**70,667**	–
— upon completion of the Acquisition	(note (e))	**400,000,000**	–	**40,000**	–
At end of year		**2,578,377,599**	1,193,860,934	**257,838**	119,386

27 SHARE CAPITAL *(Continued)*

Notes:

(a) On 8 September 2014, an ordinary resolution, to approve the authorised share capital of the Company be increased from HK$200,000,000 divided into 2,000,000,000 shares of the Company to HK$400,000,000 divided into 4,000,000,000 shares of the Company by the creation of an additional 2,000,000,000 new shares of the Company, was duly passed by the shareholders of the Company by way of poll at an extraordinary general meeting of the Company held on 8 September 2014.

(b) On 18 March 2014, 28 April 2014 and 22 September 2014, the Company and its placing agents entered into three conditional placing agreements in respect of the placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK$0.10 each of the Company to independent investors at the placing price of HK$0.175, HK$0.16 and HK$0.475 per share, respectively. The placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK$0.10 each of the Company were completed on 31 March 2014, 9 May 2014 and 3 October 2014, respectively. The premium on the issue of these shares amounting to approximately HK$37,058,000 in aggregate (after deducting placing expenses) was credited to the Company's share premium account for the year ended 31 December 2014.

(c) During the year ended 31 December 2014, the Company issued 3,650,000 (note 29) ordinary shares of HK$0.1 each in relation to the exercise of the share options. The difference between the exercise prices of the share options and the par value of the issued ordinary shares of the Company of approximately HK$965,000 (note 28(b)) was credited to the Company's share premium account. In addition, the relevant portion of share-based payment reserve in relation to the share options exercised during the year ended 31 December 2014 of approximately HK$422,000 (note 28(b)) was transferred to the Company's share premium account for the year ended 31 December 2014.

(d) During the year ended 31 December 2014, the Company issued 706,666,665 ordinary shares of HK$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK$0.15 per share. The relevant portion of convertible bonds equity reserve in relation to the conversion of the convertible bonds during the year ended 31 December 2014 of approximately HK$256,453,000 (note 28(b)) was transferred to the Company's share capital and share premium account for the year ended 31 December 2014.

(e) On 17 September 2014, the Company issued the Consideration Shares to Delight Grace Limited with an issue price of HK$0.15 per share upon completion of the Acquisition (notes 17 and 28(b)). The premium on the issue of the Consideration Shares amounting to HK$144,000,000 was credited to the Company's share premium account for the year ended 31 December 2014.

(f) All new ordinary shares issued during the reporting period rank pari passu in all respects with the existing shares of the Company.

28 RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	984,947	125,161	7,570	–	(1,036,260)	81,418
Total comprehensive loss for the year	–	–	–	–	(61,554)	(61,554)
Transactions with equity holders						
Release on forfeiture of share options (note 29)	–	–	(177)	–	177	–
Total transactions with equity holders	–	–	(177)	–	177	–
At 31 December 2013	984,947	125,161	7,393	–	(1,097,637)	19,864
At 31 December 2013	**984,947**	**125,161**	**7,393**	**–**	**(1,097,637)**	**19,864**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(513,950)**	**(513,950)**
Transactions with equity holders						
Issue of shares upon exercise of share options (note 27(c))	**1,387**	**–**	**(422)**	**–**	**–**	**965**
Issue of shares on placements (note 27(b))	**37,058**	**–**	**–**	**–**	**–**	**37,058**
Issue of convertible bonds (note 25)	**–**	**–**	**–**	**329,034**	**–**	**329,034**
Issue of shares upon conversion of convertible bonds (note 27(d))	**255,577**	**–**	**–**	**(256,453)**	**–**	**(876)**
Issue of Consideration Shares (note 27(e))	**144,000**	**–**	**–**	**–**	**–**	**144,000**
Recognition of share-based payment (note 29)	**–**	**–**	**14,392**	**–**	**–**	**14,392**
Total transactions with equity holders	**438,022**	**–**	**13,970**	**72,581**	**–**	**524,573**
At 31 December 2014	**1,422,969**	**125,161**	**21,363**	**72,581**	**(1,611,587)**	**30,487**

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$513,950,000 (2013: HK$61,554,000).

29 SHARE-BASED PAYMENT

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "Share Option Schemes") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for shares of HK$0.1 each in the share capital of the Company (each a "Share").

The exercise price of the share options is determined by the directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Share on the date of offer.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at 31 May 2013. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the 2013 Share Option Scheme save that the total number of Shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Where any further grant of options to a participant would result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The Group has no legal or constructive obligation to repurchase or settle the options. The consideration payable on the grant of an option is HK$1, for each grant transaction.

29 SHARE-BASED PAYMENT *(Continued)*

Details of the share options granted under the Share Option Schemes are as follows:

Share option type	Date of grant	Options granted	Exercise price	Exercise period
2006(a) (note (a))	19 June 2006	10,624,000	HK$0.5080	1 January 2007 to 18 June 2016
2006(b) (note (a))	19 June 2006	13,568,000	HK$0.5080	1 January 2007 to 18 June 2016
2007 (note (b))	5 July 2007	660,000	HK$3.7000	1 July 2008 to 18 June 2016
2009(a) (note (c))	27 October 2009	1,800,000	HK$2.0000	27 October 2010 to 27 October 2012
2009(b) (note (c))	27 October 2009	1,800,000	HK$3.0000	27 October 2011 to 27 October 2012
2009(c) (note (d))	21 December 2009	600,000	HK$2.1200	21 December 2009 to 21 December 2010
2009(d) (note (d))	21 December 2009	600,000	HK$2.1200	21 December 2010 to 21 December 2012
2009(e) (note (d))	21 December 2009	600,000	HK$3.0000	21 December 2011 to 21 December 2012
2010(a) (note (e))	11 January 2010	6,800,000	HK$2.0000	11 January 2010 to 11 January 2012
2010(b) (note (e))	11 January 2010	6,800,000	HK$3.0000	11 January 2010 to 11 January 2012
2012(a) (note (f))	29 March 2012	22,800,000	HK$0.3220	29 March 2012 to 28 March 2015
2012(b) (note (f))	29 March 2012	22,800,000	HK$0.3865	29 March 2012 to 28 March 2015
2014(a) (note (g))*	1 September 2014	105,000,000	HK$0.4000	1 September 2014 to 31 August 2019
2014(b) (note (g))*	1 September 2014	14,000,000	HK$0.4000	1 September 2015 to 31 August 2019
Total		208,452,000		

* Options granted under the 2013 Share Option Scheme

Notes:

(a) The share options granted on 19 June 2006 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2006(a)	2006(b)
1 January 2007 to 30 June 2007	50%	15%
1 July 2007 to 31 December 2007	50%	15%
1 January 2008 to 31 December 2008	No limit	35%
1 January 2009 to 31 December 2009	No limit	35%
1 January 2010 to 18 June 2016	No limit	No limit

(b) The share options granted on 5 July 2007 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2007
1 July 2008 to 30 June 2009	33.33%
1 July 2009 to 30 June 2010	33.33%
1 July 2010 to 30 June 2011	33.33%
1 July 2011 to 18 June 2016	No limit

29 SHARE-BASED PAYMENT *(Continued)*

Notes: *(Continued)*

(c) The share options granted to independent non-executive directors on 27 October 2009 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2009(a)	2009(b)
27 October 2010 to 27 October 2012	100%	0%
27 October 2011 to 27 October 2012	No limit	100%

(d) The share options granted on 21 December 2009 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2009(c)	2009(d)	2009(e)
21 December 2009 to 21 December 2010	100%	0%	0%
21 December 2010 to 21 December 2012	0%	100%	0%
21 December 2011 to 21 December 2012	0%	No limit	100%

(e) The share options granted to executive directors on 11 January 2010 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2010(a)	2010(b)
11 January 2010 to 11 January 2012	100%	100%

(f) The share options granted to executive directors, independent non-executive directors and employees on 29 March 2012 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2012(a)	2012(b)
29 March 2012 to 28 March 2015	100%	100%

(g) The share options granted to executive directors and employees on 1 September 2014 are exercisable in following manner:

Exercise period	Maximum exercisable percentage 2014(a)	2014(b)
1 September 2014 to 31 August 2019	**100%**	**0%**
1 September 2015 to 31 August 2019	**No limit**	**33.57%**
1 September 2016 to 31 August 2019	**No limit**	**33.57%**
1 September 2017 to 31 August 2019	**No limit**	**32.86%**

29 SHARE-BASED PAYMENT *(Continued)*

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

For the year ended 31 December 2014

	Share option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price HK$
Employees	2006(a)	1,096,000	–	–	–	1,096,000	1,096,000	0.5080
	2006(b)	8,040,120	–	(250,000)	–	7,790,120	7,790,120	0.5080
	2007	660,000	–	–	–	660,000	660,000	3.7000
	2012(a)	16,000,000	–	(2,200,000)	–	13,800,000	13,800,000	0.3220
	2012(b)	16,000,000	–	(1,200,000)	–	14,800,000	14,800,000	0.3865
	2014(a)	–	105,000,000	–	–	105,000,000	105,000,000	0.4000
	2014(b)	–	14,000,000	–	–	14,000,000	–	0.4000
		41,796,120	119,000,000	(3,650,000)	–	157,146,120	143,146,120	
		HK$	HK$	HK$	HK$	HK$	HK$	
Closing price		–	0.2950#	–	–	–	–	
Weighted average closing price		–	–	0.5355	–	–	–	
Weighted average exercise price		0.4407	0.4000	0.3559	–	0.4118	0.4130	

the closing price immediately before the date of grant

For the year ended 31 December 2013

	Share option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price HK$
Employees	2006(a)	1,096,000	–	–	–	1,096,000	1,096,000	0.5080
	2006(b)	8,059,720	–	–	(19,600)	8,040,120	8,040,120	0.5080
	2007	660,000	–	–	–	660,000	660,000	3.7000
	2012(a)	16,900,000	–	–	(900,000)	16,000,000	16,000,000	0.3220
	2012(b)	16,900,000	–	–	(900,000)	16,000,000	16,000,000	0.3865
		43,615,720	–	–	(1,819,600)	41,796,120	41,796,120	
		HK$	HK$	HK$	HK$	HK$	HK$	
Weighted average closing price		–	–	–	–	–	–	
Weighted average exercise price		0.4372	–	–	0.3559	0.4407	0.4407	

29 SHARE-BASED PAYMENT *(Continued)*

The estimated fair value of options granted under the Share Option Schemes on 1 September 2014, measured at date of grant, was approximately HK$16,058,000. The following significant assumptions and estimates were used by an independent valuer to derive the fair value of the options granted during the year ended 31 December 2014, using the Binomial Option Pricing Model:

	Date of grant 1 September 2014	
	2014(a)	**2014(b)**
Expected volatility	73%	73%
Expected life	5	5
Risk-free interest rate	1.256%	1.256%
Expected dividend yield	Nil	Nil
Weighted average share price at grant date	HK$0.295	HK$0.295
Early exercise multiple — employee/employer	2.2/2.8	2.8
Post-vesting forfeiture rate — employee	0%	0%

The Group recognised HK$14,392,000 (2013: HK$Nil) (note 28(b)) share-based payment expenses in the consolidated income statement for the year ended 31 December 2014, of which the amount has been included as staff costs, and the corresponding amount has been credited to share-based payment reserve.

If the options remain unexercised after the exercise period, the options expire. Options are forfeited if an employee leaves the Group before the options expire. For the year ended 31 December 2014, the total carrying value of expired/forfeited options is HK$Nil (2013: HK$177,000) (note 28(b)) which has been transferred from share-based payment reserve to accumulated losses.

30 CONTINGENT LIABILITIES

At 31 December 2014 and 2013, the Group and the Company had no contingent liability respectively.

31 CAPITAL COMMITMENTS

At 31 December 2014 and 2013, the Group and the Company had no capital commitments respectively.

32 LEASE COMMITMENTS

At 31 December 2014, the Group's future aggregate minimum lease receivables and payables under non-cancellable operating leases are as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
As lessor:		
No later than 1 year	**637**	228
Later than 1 year and no later than 5 years	**500**	–
	1,137	228
As lessee:		
No later than 1 year	**11,418**	4,492
Later than 1 year and no later than 5 years	**18,397**	3,563
	29,815	8,055

Operating lease receivables represented rental receivables of the Group for its investment properties under operating lease arrangements, with leases negotiated for average terms of one year and rental are fixed over the lease terms and do not include contingent rentals.

Operating lease payables represented rental payables of the Group for its offices and operational premises. Leases are negotiated mainly for an average term of one to five years and rental are fixed over the lease terms and do not include contingent rentals.

33 RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with its related parties:

(i) Particulars of significant transactions between the Group and related parties

	2014 **HK$'000**	2013 HK$'000
Product development, sale and marketing services fee paid to a related company (note a)	**1,794**	1,663

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2013: 49%) equity interest in the Company's subsidiary paying for the services.

33 RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Outstanding balance with related parties

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayment, deposits and other receivables				
— Amount due from a related company	**3**	493	**–**	–
— Amount due from a non-controlling interest	**925**	1,197	**–**	–
	928	1,690	**–**	–
Accruals and other payable				
— Amount due to a director	**–**	(92)	**–**	(92)

The amounts due from related parties are unsecured interest free and repayment on demand.

(iii) Key management compensation

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**12,384**	11,661
Share-based payments	**1,887**	–
Retirement benefits scheme contributions	**194**	203
	14,465	11,864

(iv) Guarantee provided by related parties

At 31 December 2014, the Group's borrowings of approximately HK$7,822,000 (2013: HK$23,365,000) and HK$3,911,000 (2013: HK$3,889,000) were secured by a personal guarantee by the Company's directors and a director of the Company's indirect non-wholly owned subsidiary, respectively (note 24).

34 EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of a tourism business

On 3 February 2015, the Company and its wholly owned subsidiary, Kiu Hung Leisure Holidays Company Limited ("KH Leisure") entered into a sales and purchase agreement (the "Sale and Purchase Agreement") with Unicorn Sino Limited (the "Unicorn Sino") and Ms. Wei Xin Jie (魏欣捷), an independent third party and the ultimate sole beneficial owner of Unicorn Sino, regarding KH Leisure's acquisition of 20% equity interests of Eagle Praise Limited (the "Target Company"). The Target Company's wholly-owned subsidiary will operate the business of designing, developing and selling tourism and travel related products in the PRC (after reorganisation to be carried out by Unicorn Sino and the Target Company).

The total consideration of this acquisition of approximately HK$125 million will be satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK$92 million to be issued by the Company.

On 3 March 2015, the first tranche of 75,000,000 ordinary shares of the Company have been issued to Unicorn Sino in accordance with the sales and purchase agreement. The second tranche of the 75,000,000 ordinary shares of Company will be issued as and when the acquisition is completed.

Upon completion, the Company has the sole discretion to settle the promissory note in cash or through issuing a maximum of 418,181,818 ordinary shares of the Company (at HK$0.22 per share), or a combination of cash and shares. If the Company decides to repay the promissory notes (wholly or partially) by issuing new shares, the Company will seek a specific mandate from the Company's shareholders (or independent shareholders, if applicable) under Rule 13.36 of the Listing Rules. In the event that the Company fails to obtain the specific mandate from the shareholders in relation to the issuance of the shares, the Company will be required to settle the promissory note in cash.

For details, please refer to the Company's announcements dated 3 February 2015, 12 February 2015 and 6 March 2015.

34 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(ii) MOU in relation to an acquisition of wine business in the PRC

With reference to the memorandum of understanding (the "MOU") dated 16 October 2014 entered into between Kiu Hung Health Food Company Limited ("KH Health Food"), a wholly owned subsidiary of the Company, and Rising Fortune Group Limited, an independent third party, regarding an acquisition of certain equity interests of a target company (the "Possible Acquisition"), on 13 January 2015, in order to allow additional time for KH Health Food to conduct due diligence review relating to the target company and its subsidiaries (the "Target Group") and for the parties' further negotiation of the terms of the Possible Acquisition, the parties to the MOU entered into a supplemental letter to the MOU (the "Supplemental Letter") to extend the expiry date of the exclusivity period from 13 January 2015 to 13 April 2015.

The Target Group is principally engaged in wine business in the PRC with principal assets of inventories, machineries and equipments.

In addition, the parties to the MOU also agreed in the Supplemental Letter that, in the event the consideration of the Possible Acquisition is agreed to be settled by way of issue of the Company's shares or any other securities of the Company convertible into the Company's shares, the original issue price of "80% of the average closing price of the five trading days ending on the date of the MOU" was changed to "HK$0.2 per share of the Company", subject to compliance with all relevant laws and regulations.

The acquisition may or may not materialise and is subject to the execution and completion of a formal sale and purchase agreement.

For details, please refer to the Company's announcements dated 16 October 2014 and 13 January 2015.

(iii) Acquisition of arts and cultural related assets

On 27 March 2015, the Company and its wholly owned subsidiary, Sharp Precision Management Limited entered into an assets purchase agreement (the "Assets Purchase Agreement") with Jingdezhen Jing Dong Ceramic Group Co., Ltd, an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK$38 million, which would be satisfied by the issue of two series of the Company's promissory notes namely, the Promissory Note A and Promissory Note B, in the aggregate principal amount of HK$6.5 million and HK$31.5 million, respectively. The Promissory Note A and the Promissory Note B are interest free and are due by 27 May 2015 and 27 March 2016, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015.

For details, please refer to the Company's announcement dated 27 March 2015.

35 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2015.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the published consolidated results and statement of assets and liabilities of the Group for the last five years:

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**229,022**	169,910	192,803	184,550	186,095
(Loss)/profit before income tax	**(508,965)**	(73,671)	(654,881)	(39,032)	6,315
Income tax credit/(charge)	**293**	3,921	149,945	(1,155)	(1,344)
(Loss)/profit for the year	**(508,672)**	(69,750)	(504,936)	(40,187)	4,971
Attributable to:					
Equity holders of the Company	**(509,606)**	(71,826)	(508,859)	(40,539)	6,313
Non-controlling interests	**934**	2,076	3,923	352	(1,342)
	(508,672)	(69,750)	(504,936)	(40,187)	4,971

ASSETS AND LIABILITIES

	31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**461,777**	301,084	376,933	976,425	951,152
Total liabilities	**(168,586)**	(161,626)	(175,921)	(294,958)	(500,318)
Net assets	**293,191**	139,458	201,012	681,467	450,834
Equity attributable to equity holders of the Company	**284,174**	131,375	195,005	679,383	450,543
Non-controlling interests	**9,017**	8,083	6,007	2,084	291
Total equity	**293,191**	139,458	201,012	681,467	450,834

Notes:

(1) The consolidated income statement for the years ended 31 December 2014 and 2013 are set out on page 34 of this annual report.

(2) The consolidated statement of financial position at 31 December 2014 and 31 December 2013 are set out on pages 36 to 37 of this annual report.