# GREEN INTERNATIONAL
## Holdings Limited
## 格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2700)

# annual report 2014

# Contents

# Corporate Information

## EXECUTIVE DIRECTORS

Dr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)*
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang

## NON-EXECUTIVE DIRECTOR

Ms. Yu Jiaoli

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan

## AUDIT COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

## REMUNERATION COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Dr. Yang Wang Jian

## NOMINATION COMMITTEE

Dr. Yang Wang Jian *(Chairman)*
Mr. Low Chin Sin
Mr. Yeung King Wah, Kenneth

## COMPANY SECRETARY

Ms. Ngan Chui Wan

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong
17th Floor,
Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

## AUDITOR

McMillan Woods SG CPA Limited
Unit 1507, 15/F., South Tower
Concordia Plaza
1 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

## PRINCIPAL BANKERS

Wing Hang Bank, Ltd.
Hang Seng Bank Limited

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
22/F, Hopewell Centre
183 Queen's Road East
Hong Kong

## WEBSITE

http://www.irasia.com/listco/hk/greeninternational/index.htm

## SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 02700
Listing date: 29 September 2006
Board lot: 20,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$0.31
Market capitalisation as at the date of this annual report: approximately HK$592,658,000

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Green International Holdings Limited (the "Company"), I hereby announce the full-year audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

2014 was still a relatively difficult year for the Group. In the toys business segment, there was loss of orders from certain famous international brands. In the newly acquired clubhouse operations segment, a loss was recorded due to relatively large operating costs. As such, the Group's loss in 2014 increased as compared to 2013.

The Group expects that 2015 will continue to be a difficult year. In view of the difficult environment of the toys industry and the toys industry is becoming increasingly competitive, the Group will consider devoting more resources to other existing and potential business segments to provide higher potential return. Besides the completion of the acquisition of a clubhouse business in January 2014, in November 2014, the Group has entered into a sale and purchase agreement for the acquisition of a business for the provision of beauty and wellness related services. The Group also entered into certain memorandums of understanding with several business partners to explore the business opportunities of other industries. Management of the Group considers that these current and potential investments could maximise return to the Company and its shareholders in the long run.

From 2015 onwards, the Group will have new objectives for its development. "Health and Wellness" will be the principal theme of the clubhouse business. With new business directions, the Group plans to take on new projects to further diversify its business operations, synergise its current and potential business segments and capture higher growth potentials.

I am grateful to our shareholders and business partners for their continued support and my fellow members of the Board and colleagues for their dedication and commitment.

**Yang Wang Jian**
*Chairman of the Board*

Hong Kong, 30 March 2015

# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECTS

Following the acquisition of a clubhouse business in January 2014 (detailed in Note 32(a) to the consolidated financial statements), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment and operation of clubhouse business during the year.

Total revenue of approximately HK$160,940,000 was recorded by the Group during the year ended 31 December 2014, as compared to approximately HK$583,057,000 for the year 2013. Excluding the contribution from clubhouse business in the current year, revenue arising from toys business was approximately HK$143,735,000. The decrease in revenue was due to the loss of orders from certain famous international brands from the toys business. The Group's gross profit was approximately HK$13,041,000 in 2014, as compared to approximately HK$10,664,000 in 2013, representing an increase of approximately HK$2,377,000; the gross profit margin has increased from 1.8% in 2013 to 8.1% in 2014. This is mainly attributable to the higher gross profit margin from clubhouse business acquired by the Group in January 2014.

During 2014, the macro-economic and operating environment continued to be plagued by the increase in the cost of raw materials and labour and other operating costs in the People's Republic of China (the "PRC"). Besides, the performance of the Group's toys business, which accounted for most of the Group's revenue and profit margin in the past, was far from satisfactory due to loss of orders from certain famous international brands as mentioned above. Due to the increasingly competitive market, it has become more difficult and costly to solicit orders from the toys business. The Group expects uncertainties to persist in 2015. In light of this, management has taken a close look at the developments of the toys business and clubhouse business, and will take appropriate strategic measures to reshape the segments and markets of and re-allocate resources to the Group's different businesses when necessary.

The loss for the year attributable to equity holders of the Company amounted to approximately HK$99,147,000 in 2014 whilst it was approximately HK$48,947,000 in 2013. This was mainly attributable to the decrease in revenue and the operating costs from the Group's clubhouse business in 2014. The clubhouse business is loss-making and the Group is undergoing assessment for rebranding and repositioning of the clubhouse. "Health and Wellness" will be the principal theme of the clubhouse. In view of the continuous economic growth in the PRC and increasing spending power of the residents and visitors of Shenzhen, the Directors are optimistic of the prospects of the clubhouse business in the PRC, in particular in the well-developed cities such as Shenzhen.

Management has also focused on cost control in this difficult operating environment, in order to strive for a higher profit margin and return to the stakeholders. Management is adopting a prudent and conservative approach in order to sustain the Group for the long term development. The Group completed the disposal of a subsidiary from the toys business in September 2014 (detailed in Note 33 to the consolidated financial statements). As the business development of the subsidiary is at an early stage and the subsidiary is loss making, the Directors envisage that if the Group continues to retain its interest in the subsidiary, the Group still needs to inject significant amount of capital to the subsidiary before the subsidiary may generate profit. Therefore, the disposal provides a good opportunity to the Group to realise its investment in the subsidiary so that the Group may utilize its fund for other business development and/or investment opportunities which could be beneficial to the interests of the Group and the shareholders as a whole.

The Group would also like to point out that the trade receivables ageing period might seem long. Management has noted this and is taking proactive measures in chasing the repayments from the customers which include, among other things, (a) liaison with the customers for repayment schedules; (b) close chasing and monitoring of the settlement amounts; and (c) tightening controls over the credit terms granted to customers in respect of new transactions. The Group will closely follow up with the customers in relation to the repayments and the Board considers it is unlikely that the trade receivables will not be recovered as more than HK$80,000,000 has been recovered from the past due debtors during 2014. The Directors are optimistic to have most of the outstanding balances be collected in the future.

# Management Discussion and Analysis

The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by management for expansion of the business segments of the Group. Management believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. Management will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

In particular, the Group is actively exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. On 21 November 2014, the Company entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase, indirectly, 70% equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (Shenzhen Marsa Guer Chain Enterprise Ltd.*, "Marsa Guer") at a maximum aggregate consideration of HK$217,000,000. Marsa Guer and its subsidiaries are principally engaged in the operation of beauty and wellness shops, medical licensed beauty center and the cooperation with clubhouses for the provision of beauty and wellness related services in Shenzhen, the PRC.

Besides, as at the date of this report, the Group has entered into a memorandum of understanding with an intention to acquire new assets/businesses/companies and is in preliminary negotiations with several independent third parties regarding other potential acquisitions and investments, details of which are described in the section headed "Significant Acquisition and Disposal of Assets" below.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group held cash and bank balances of approximately HK$131,205,000 (2013: HK$80,486,000). Net current assets amounted to approximately HK$272,246,000 (2013: HK$89,578,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 10.42 times (2013: 1.31 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 7.6% (2013: 57.9%). As at 31 December 2014, the carrying amounts and the principal amounts of the outstanding borrowings of the Group amounted to approximately HK$8,584,000 (2013: HK$126,760,000) and approximately HK$62,872,000 (2013: HK$128,755,000), respectively. The mandatorily convertible bonds issued for the acquisition of a clubhouse business with outstanding principal amount of HK$51,080,000 was included in the principal amounts of the outstanding borrowings of the Group as at 31 December 2014.

## FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, as most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi, U.S. Dollars and Hong Kong Dollars. As at 31 December 2014, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in Renminbi, U.S. Dollars and Hong Kong Dollars which are currencies with a certain degree of stability.

## CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2014 and up to the date of this report.

## SHARE OPTIONS

On 11 May 2012, the Company granted 65,800,000 share options under a share option scheme adopted by shareholders of the Company on 2 September 2006 (the "Share Option Scheme") to certain substantial shareholders, Directors and employees of the Group, of which 55,800,000 share options were still outstanding as at 31 December 2014 and the date of this report.

On 16 January 2014, 1,000,000 shares options granted under the Share Option Scheme were exercised at an exercise price of HK$0.37 per share and, accordingly, the Company allotted and issued 1,000,000 shares to the grantee.

Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of the share options were adjusted from HK$0.37 per share to HK$0.32 per share with effect from 19 August 2014 (immediately after the completion of the open offer as detailed below).

On 29 August 2014, 7,000,000 shares options granted under the Share Option Scheme were exercised at an exercise price of HK$0.32 per share and, accordingly, the Company allotted and issued 7,000,000 shares to the grantee.

The proceeds from the exercise of share options have been used as working capital of the Group.

## CONVERTIBLE BONDS

(a) On 30 January 2014, pursuant to the sale and purchase agreement to the acquisition of Big Point Investment Limited, the Company issued convertible bonds in an aggregate principal amount of HK$76,620,000 to the vendor as partial satisfaction of the consideration which is convertible into, at HK$0.50 per share (subject to adjustments), 153,240,000 shares of the Company.

Certain of the convertible bonds in the principal amount of HK$25,540,000 were converted into 51,080,000 shares of the Company on 18 February 2014.

Pursuant to the terms and conditions of the convertible bonds, the conversion price of the convertible bonds was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014 (immediately after the completion of the open offer as detailed below).

Subsequent to the end of the reporting period, certain convertible bonds in the principal amount of HK$25,000,000 were converted into 58,139,534 shares of the Company on 30 January 2015.

(b) On 14 January 2014, the Company entered into two separate subscription agreements with two subscribers respectively in relation to the issue of convertible bonds in an aggregate principal amount of HK$80,000,000. The first subscriber subscribed for convertible bonds in the principal amount of HK$50,000,000 and the second subscriber subscribed for convertible bonds in the principal amount of HK$30,000,000. The convertible bonds were issued respectively to a nominee of the first subscriber and the second subscriber on 28 March 2014 and 18 March 2014 and are convertible into, at HK$0.50 per share (subject to adjustments), an aggregate of 160,000,000 shares of the Company. The proceeds was intended to be used for partial repayment of amount due to the controlling shareholder, operations of the clubhouse business acquired on 30 January 2014 and as working capital of the Group.

As at the date of this report, the net proceeds of approximately HK$79,776,000 was actually used as follows: (i) HK$40,000,000 as partial repayment of loan from controlling shareholder, (ii) approximately HK$16,150,000 for operation of the clubhouse with the remaining HK$7,850,000 be used for operation of the clubhouse, and (iii) approximately HK$15,776,000 have been used as working capital of the Group.

The convertible bonds in the principal amount of HK$30,000,000 were converted into 60,000,000 shares of the Company on 18 July 2014.

Pursuant to the terms and conditions of the convertible bonds, the conversion price of the convertible bonds was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014 (immediately after the completion of the open offer as detailed below).

The convertible bonds in the principal amount of HK$50,000,000 were converted into 116,279,069 shares of the Company on 30 December 2014.

(c) On 13 October 2014, pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited, the Company issued convertible bonds in an aggregate principal amount of HK$5,628,138 to the vendor as partial satisfaction of the consideration which is convertible into, at HK$0.43 per share (subject to adjustments), 13,088,693 shares of the Company.

(d) On 9 February 2015, the Company entered into a placing agreement with a placing agent (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK$83,800,000 convertible into, at HK$0.33 per share (subject to adjustments), 253,939,393 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The placing was subsequently completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK$29,000,000 was successfully placed by the Placing Agent to three placees who are third parties independent of the Company and its connected persons. The convertible bonds are convertible into, at HK$0.33 per share (subject to adjustments), an aggregate of 87,878,787 shares of the Company.

The net proceeds from the placing is approximately HK$28,100,000 and is intended to be used for possible acquisitions including but not limited to the possible acquisition of E&RPRO Assets Management as mentioned in the "Significant Acquisition and Disposal of Assets" section below and as working capital of the Group, and such net proceeds have not yet been used as at the date of this report.

There were outstanding convertible bonds in the aggregate principal amounts of approximately HK$62,872,000 and HK$66,872,000 which are convertible into 146,213,434 and 175,952,686 shares of the Company, respectively, as at 31 December 2014 and the date of this report.

## OPEN OFFER

On 5 June 2014, the Company proposed to raise no less than approximately HK$171,600,000 and no more than approximately HK$187,400,000 (representing not less than 381,319,117 offer shares and not more than 416,407,117 offer shares), before expenses, by way of an open offer (the "Open Offer") on the basis of 3 offer shares for every 10 shares held on the record date at the subscription price of HK$0.45 per offer share.

The Open Offer was completed on 19 August 2014, and a total of 399,319,117 shares of the Company were allotted and issued to the shareholders of the Company. The net proceeds from the Open Offer is approximately HK$178,007,000 and is intended to be used for potential acquisitions and investments and as working capital of the Group.

As at the date of this report, the net proceeds of approximately HK$178,007,000 was actually used as follows: (i) HK$20,000,000 as refundable deposit for the possible acquisition of Marsa Guer with a further HK$34,250,000 as potential partial settlement of the consideration, (ii) HK$78,250,000 will be used for other possible investment projects of the Group, including but not limited to the possible acquisition of E&R-PRO Assets Management as mentioned in the "Significant Acquisition and Disposal of Assets" section below, and (iii) approximately HK$45,507,000 have been used as working capital of the Group.

## CHARGES ON ASSETS

As at 31 December 2014, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

## SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save for the Group's acquisitions and disposal of subsidiaries (detailed in Notes 32 and 33 to the consolidated financial statements), and the possible acquisition of Marsa Guer (detailed in Notes 17(a) to the consolidated financial statements), there were no significant acquisition and disposal of assets during the year ended 31 December 2014 and up to the date of this report. The Group has also entered into the following memorandum of understanding as at 31 December 2014 and the date of this report.

On 16 December 2014, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company) and Hong Kong E&R-PRO Company Limited ("E&R-PRO") entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of a minimum of 51% and a maximum of 100% of equity interest in Hong Kong E&R-PRO Assets Management Limited ("E&R-PRO Assets Management"). E&R-PRO Assets Management is a company incorporated in Hong Kong with limited liability and will be principally engaged in the trading of commodities including oil products, petrochemicals and metals. The entire issued share capital of E&R-PRO Assets Management is wholly owned by E&R-PRO. The consideration of the possible acquisition is to be determined with reference to (i) the profit guarantee of E&R-PRO Assets Management for the first 3 financial years following completion of the possible acquisition as given by E&R-PRO; (ii) the business prospect of E&R-PRO Assets Management; and/or (iii) valuation of E&R-PRO Assets Management by an independent valuer.

The above memorandum of understanding shall be valid for 1 year from the date of its execution, within which parties to the memorandum of understanding shall not negotiate or enter into any documents with other third parties in relation to projects or business equivalent or similar to those stipulated in the memorandum of understanding. As at the date of this report, management is still assessing the feasibility studies of the above project, and no formal agreements have been entered into between the parties involved.

## COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 31 December 2014 were detailed in Note 34 to the consolidated financial statements.

The Group had no material contingent liabilities as at 31 December 2014.

## EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 31 December 2014, the Group employed approximately 300 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

* *for identification purposes only*

# Profile of Directors

## EXECUTIVE DIRECTORS

**Dr. Yang Wang Jian**, aged 58, was appointed as an executive Director and Chairman of the Board on 7 November 2011 and resigned from both positions on 8 November 2012. He subsequently acted as a senior consultant of the Company since 1 December 2012 and ceased to hold the position of senior consultant upon his re-appointment as an executive Director and Chairman of the Board on 5 September 2013. He is the chairman of GEV Investments (Hong Kong) Limited, the Hong Kong operating arm of GEV Investments Limited, which is primarily engaged in the provision of advisory services of mergers and acquisitions, strategic planning, valuations, management or leverage buyouts and capital raising. He has over 26 years of experience in international finance and investment. He was the managing director of Corporate Finance International Ltd. and a director of Uni Core Holdings Corporation (Stock symbol: UCHC), a company listed on the OTC Bulletin Board in the United States. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, an executive director of the China Overseas Chinese Entrepreneurs Association, a vice president of the Cooperative Finance Committee of the China Society of Cooperative Economics, a consultant and a visiting professor of the Law School of the Renmin University of China and the chairman of the Greater China Experts & Entrepreneurs Union. He graduated from the University of International Business and Economics (formerly known as the College of Beijing Economics and Foreign Trade), with a bachelor's degree in economics. He holds a doctor's degree in advanced international finance from the National University in the United States. He is the father of Ms. Yang Jun and Ms. Yang Ya, both of whom are executive Directors.

**Mr. Wong Man Keung**, aged 47, is a member of Certified Management Accountants of Australia, was appointed as an executive Director and Chief Executive Officer of the Company on 7 November 2011 and was appointed as Acting Chairman of the Board on 8 November 2012. He ceased to act as Acting Chairman of the Board on 5 September 2013. He was also appointed as directors of several of the Company's subsidiaries. He has over 25 years of experience in direct investment, commercial banking and manufacturing in the PRC. He has also served as the senior management member of various light and heavy manufacturing companies based in the PRC and overseen the finance and the production departments. Prior to that, he worked in the commercial banking division of a financial institution for approximately 15 years.

**Ms. Yang Jun**, aged 31, was appointed as an executive Director on 7 November 2011. She was also appointed as directors of several of the Company's subsidiaries. She was previously the financial controller of GEV Investments (Hong Kong) Limited, managing advisory services for valuation and strategic planning. She held various senior positions in the financing and banking industry field. She performed as assistant manager in Citibank Singapore and senior financial analyst in Royal Bank of Scotland and was in charge of the Singapore, international and NRI business. She holds a bachelor's degree in business (economics and finance) with high distinction awarded by RMIT University, Australia. She is a daughter of Dr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Ya, an executive Director.

**Mr. Chen Hanhong**, aged 62, was appointed as an executive Director on 1 July 2013. He has over 17 years of experience in the management and investment industries. He is currently the president of 東莞市半島實業發展有限公司 (Dongguan Bandao Industry Development Co., Limited*) and a vice president of Shenzhen Eli Eco-technology Co., Limited. Mr. Chen has also served as the managing director in 深圳市東方明珠投資有限公司 (Shenzhen Oriental Pearl Investment Co., Limited*) from 1998 to 2005. Prior to that, Mr. Chen performed as a vice managing director in 深圳市大愚投資有限公司 (Shenzhen Dayu Investment Co., Limited*). Mr. Chen completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen.

# Profile of Directors

**Ms. Yang Ya**, aged 29, was appointed as an executive Director on 1 August 2013. She has wide knowledge in the finance, marketing and investment banking fields. She was the marketing manager of the Company from 1 February 2012 to 31 July 2013. She was also appointed as directors of two of the Company's subsidiaries. She is a member of the Futian Committee of The Chinese People's Political Consultative Conference. She is currently a director and was previously an investment manager of GEV Investments (Hong Kong) Limited, in charge of consulting, financial and business development and pursuing strategic business relationships with various corporate and organization partners to the company. Prior to that, she performed as a project manager in MGA Services (USA). Ms. Yang graduated from the University of California Irvine with a bachelor's degree in economics. She is a daughter of Dr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Jun, an executive Director.

**Dr. Yu Qigang**, aged 50, was appointed as an executive Director on 5 September 2013. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, the vice president of the Shenzhen General Chamber of Commerce, the vice president of 深圳市服裝協會 (Shenzhen Garment Industry Association*), the executive vice president of the Shenzhen Promotion Association for Small and Medium Enterprises, the vice president of Guangzhou Youth Entrepreneurs Association and an executive council member of the China Glory Society of Shenzhen. He has over 25 years of experience in the corporate management field. From 1987 to 1998, he operated 紹興永盛貿易有限公司 (Shao Xing Yong Sheng Industry & Trading Co., Ltd.*), 東莞東日織造廠 (Dong Guan Winter Sun Shine Co., Ltd.*) and 東莞俞隆貿易有限公司 (Dong Guan Yu Long Trading Co., Ltd*). In 1996, he founded 深圳影兒時裝有限公司 (Shenzhen Yinger Fashion Co., Ltd*) and in 2001 he successfully developed it to 深圳影兒時尚集團有限公司 (Shenzhen Yinger Fashion Group Co., Ltd.*) and has since been its legal representative and president. He is a Manager of Advanced Business Administration (US) certified under the US International Practice Attesting & Login Union and Manager of Advanced Business Administration (China). He holds a doctor's degree in business administration from the California University of Management in the United States. He is an uncle of Ms. Yu Jiaoli, a non-executive Director.

## NON-EXECUTIVE DIRECTOR

**Ms. Yu Jiaoli**, aged 25, was appointed as a non-executive Director on 1 July 2013. She is currently a designer of Shenzhen Yinger Fashion Group Co., Ltd. She graduated from Guangzhou Science and Technology Trade Vocational College in fashion design. She is a niece of Dr. Yu Qigang, an executive Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yeung King Wah, Kenneth**, aged 56, was appointed as an independent non-executive Director on 7 November 2011. He is the founder of Yeung and Co., Chartered Accountants, a firm of registered auditors based in the United Kingdom, and China Consulting Consortium Ltd. He has over 20 years of experience in auditing, taxation, corporate finance, treasury, financial consulting and management gained from working in Europe and the Asia Pacific region. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom and a full member of the Association of Corporate Treasurers in the United Kingdom. He was a director of EC Venture Ltd, Azure Management Consulting Ltd, ILS (Far East) Ltd, ILS (China) Ltd and Tendpress Ltd. He is currently a director of MTL Asia Limited, K&M Nominees Ltd and China Consulting Consortium Ltd. He was an independent non-executive director of Pizu Group Holdings Limited (formerly known as China Electric Power Technology Holdings Limited) (Stock code: 8053), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from 1 August 2007 to 14 December 2012 and was an independent non-executive director of eForce Holdings Limited (Stock code: 943), a company listed on the Main Board of the Stock Exchange, from 3 July 2007 to 1 December 2011.

# Profile of Directors

**Mr. Wu Hong**, aged 55, was appointed as an independent non-executive Director on 7 November 2011. He is currently a professor and dean of the College of Design at Shenzhen University in the PRC. He has over 18 years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC. He graduated from Chinese National Academy of Arts with a doctoral degree in art & design.

**Mr. Low Chin Sin**, aged 54, was appointed as an independent non-executive Director on 15 November 2012. He is the founder of Thico Ltd. He is currently the managing director of Thico Ltd., which is an importer and distributor of food supplements. He has over 21 years of experience in direct marketing business. He held a position as operation manager for YMM Sun Chlorella Malaysia Sdn. Bhd. from 1985 to 1986. He joined Win Win Direct Sales (HK) Ltd. as general manager from 1986 to 1989. He joined Media Master Holdings Limited as a consultant from 2009 to 2010. He graduated from The University of Windsor, Canada with Bachelor of Commerce (honour) in business administration.

**Mr. Ye Yunhan**, aged 56, was appointed as an independent non-executive Director on 5 September 2013. He has over 26 years of experience in management field. From 1988 to 2000, he had been a vice president in the operations department of the Hong Kong COSCO Group (previously known as Ocean Tramping Inc.) and the deputy managing director of Hong Kong Panwell Company Limited. He is now the deputy managing director of YHL (H.K.) Limited. He graduated from the Radio Specialists Class of the Physics Department at Naikai University in Tianjin.

* *for identification purpose only*

## CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. The Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2014.

## THE BOARD OF DIRECTORS

### Responsibilities

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting success of the Group by directing and supervising the Group's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on behalf of the Group.

Specifically in relation to corporation governance function, the Board is responsible for the corporation governance function as a whole, and establishes an internal control group to be responsible for the specific operation. During the reporting period and up to the date of this report, the Board had performed the following duties:–

1. Developing and reviewing relevant corporate governance policy and practice of the Company;

2. Reviewing and inspecting continuous professional development and training of Directors and senior management;

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and

5. Reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

There was no company secretary of the Company from 1 October 2014 to 15 March 2015 due to the resignation of Ms. Man Ching Yan ("Ms. Man") as the company secretary of the Company on 1 October 2014 and that Ms. Ngan Chui Wan was appointed as the company secretary to replace the vacancy on 16 March 2015. During this period, Mr. Chau Kin Cheung, Alfred, the accounting manager of the Company, oversaw the company secretarial function of the Company with the assistance of professional advisers.

There are established procedures for Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

## Directors' and officers liability insurance and indemnity

The Company has arranged appropriate liability insurance for the Directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Throughout the year, no claim had been made against the Directors and the officers of the Company.

## Composition

The Board currently comprises 6 executive Directors, 1 non-executive Director and 4 independent non-executive Directors from different businesses and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertises, experiences and independent judgment to the Board for its efficient and effective management of the Group's business.

The Board during the year and up to the date of this report has comprised the following Directors:

## Executive Directors

Dr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)*
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang
Dr. Wen Jialong (resigned on 15 January 2014)

## Non-Executive Directors

Ms. Yu Jiaoli

## Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan

The profiles of each Director are set out in the "Profile of Directors" section in this annual report. Save as disclosed in the "Profile of Directors", section in this annual report, each Director has no other relationship with any other Directors.

## Chairman of the Board and Chief Executive Officer

The key role of Chairman of the Board is to provide leadership to the Board. In performing his duties, Chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of Chief Executive Officer mainly include:

- providing leadership and supervising the effective management of the Group;
- monitoring and controlling the financial and operational performance of various divisions; and
- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans.

## Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 4 independent non-executive Directors, of whom Mr. Yeung King Wah, Kenneth has appropriate professional qualifications and related experiences in financial matters.

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of 1 year which could be terminated by either party giving to the other not less than 1 month's written notice.

## Appointment and Re-election of Directors

The Board retains the functions of selecting and approving candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's articles of association.

In accordance with the articles of association of the Company, any director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every 3 years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

## Induction and Continuing Professional Development for Directors

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are continually updated with legal and regulatory developments, business and market changes in order to discharge their responsibilities. During the year, the Company has arranged an in-house training in respect of the updates on recent changes on the Listing Rules to the Directors and the company secretary.

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors participated in the following continuous professional development activities:

| **Directors** | **Type of Trainings** *(Note 1)* |
|---|---|
| Dr. Yang Wang Jian | a, b |
| Mr. Wong Man Keung | a, b |
| Ms. Yang Jun | a, b |
| Mr. Chen Hanhong | a, b |
| Ms. Yang Ya | a, b |
| Dr. Yu Qigang | a, b |
| Ms. Yu Jiaoli | a, b |
| Mr. Yeung King Wah, Kenneth | a, b |
| Mr. Wu Hong | a, b |
| Mr. Low Chin Sin | a, b |
| Mr. Ye Yunhan | a, b |

Note 1:

a: attending seminar or training session

b: reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.

During the year, all Directors are provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

## Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the Group's financial statements. The financial statements for the year ended 31 December 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the external auditor, McMillan Woods SG CPA Limited, are set out in the Independent Auditor's Report on page 33.

## BOARD AND COMMITTEE MEETINGS

### Number of Meetings and Directors' Attendance

Regular Board meetings are held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. All Directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary.

Apart from the regular board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

Minutes of all Board meetings, recording sufficient details of matters considered and decisions reached, are kept by the secretary of the meetings, and are open for inspection by the Directors.

During the year, 50 Board meetings and 3 general meetings (two extraordinary general meetings on 29 January 2014 and 17 February 2014 respectively, and one annual general meeting on 13 June 2014) were held and the individual attendance of each Director is set out below:

| Director Name | Attendance of general meetings | Attendance of Board meetings |
|---|---|---|
| **Executive Directors** | | |
| Dr. Yang Wang Jian *(Chairman)* | 3/3 | 50/50 |
| Mr. Wong Man Keung *(Chief Executive Officer)* | 3/3 | 50/50 |
| Ms. Yang Jun | 3/3 | 50/50 |
| Mr. Chen Hanhong | 3/3 | 50/50 |
| Ms. Yang Ya | 3/3 | 50/50 |
| Dr. Yu Qigang | 1/3 | 50/50 |
| Dr. Wen Jialong (resigned on 15 January 2014) | 0/0 | 0/0 |
| **Non-executive Director** | | |
| Ms. Yu Jiaoli | 1/3 | 50/50 |
| **Independent Non-executive Directors** | | |
| Mr. Yeung King Wah, Kenneth | 1/3 | 50/50 |
| Mr. Wu Hong | 2/3 | 50/50 |
| Mr. Low Chin Sin | 2/3 | 50/50 |
| Mr. Ye Yunhan | 3/3 | 50/50 |

## Board Committees

The Board has established 3 committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## Audit Committee

The Audit Committee comprises 3 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(b) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

(c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit; and

(d) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

Work performed by the Audit Committee during the year includes the following:

- reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the reappointment of external auditors;
- reviewed the annual and interim reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;
- reviewed the effectiveness of the internal control system and the internal control manual of the Group; and
- reviewed the Group's accounting principles and practices, financial reporting and statutory compliance matters.

During the year, the Audit Committee convened 3 meetings. Members and their attendances are as follows:

| Director Name | Attendance |
|---|---|
| Mr. Low Chin Sin *(Chairman)* | 3/3 |
| Mr. Yeung King Wah, Kenneth | 3/3 |
| Mr. Wu Hong | 3/3 |

## Remuneration Committee

The Remuneration Committee comprises the Chairman/Acting Chairman (as the case maybe) of the Board and 2 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Dr. Yang Wang Jian
Mr. Yeung King Wah, Kenneth

The main duties of the Remuneration Committee include the followings:

(a) To review, recommend and approve the remuneration policy and structure and remuneration packages of executive Directors and senior management;

(b) To review, recommend and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) To determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management;

(d) To review, recommend and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) To establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Work performed by the Remuneration Committee during the year includes the following:

- reviewed the remuneration policy of Directors and senior management;

- assessed performance of executive Directors;

- reviewed and determined, with delegated responsibility from the Board, the remuneration package of each Director and the company secretary including bonus payment, pension right and compensation payable; and
- approved the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director.

During the year, the Remuneration Committee convened 2 meetings. Members and their attendances are as follows:

| **Director Name** | **Attendance** |
|---|---|
| Mr. Low Chin Sin *(Chairman)* | 2/2 |
| Dr. Yang Wang Jian | 2/2 |
| Mr. Yeung King Wah, Kenneth | 1/2 |

## Nomination Committee

The Nomination Committee comprises the Chairman/Acting Chairman (as the case maybe) of the Board and 2 independent non-executive Directors, namely

Dr. Yang Wang Jian *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Low Chin Sin

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of Directors and senior management, and provide suggestions;

(b) To conduct extensive search for qualified candidates for Directors and senior management;

(c) To review the Board diversity policy and the progress on achieving the objectives set for implementing the said policy; and

(d) To assess the candidates for Directors and senior management and provide the relevant recommendations.

Nomination procedures and the process and criteria adopted by the Nomination Committee include the followings:

- in considering the nomination of new Directors, the Nomination Committee will take into account a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service of the individual as the selection criteria;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; and
- assess the independence of independent non-executive Directors.

During the year, the Nomination Committee convened 2 meetings. Members and their attendances are as follows:

| Director Name | Attendance |
|---|---|
| Dr. Yang Wang Jian *(Chairman)* | 2/2 |
| Mr. Yeung King Wah, Kenneth | 2/2 |
| Mr. Low Chin Sin | 2/2 |

## MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

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

## AUDITOR'S REMUNERATION

McMillan Woods SG CPA Limited has been appointed as the Company's external auditor since 2014.

Parker Randall CF (H.K.) CPA Limited was the external auditor of the Company from 2012 to 2013.

The Audit Committee has been notified of the nature and service charges of the non-audit services to be performed by McMillan Woods SG CPA Limited and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by the external auditor for the year ended 31 December 2014 and their corresponding remunerations are as follows:

| Nature of services | Amount<br>*HK$'000* |
|---|---|
| Audit services | 771 |
| Non-audit services | 0 |

## INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the internal control systems of the Group and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously, which covers financial, operational, compliance as well as risk management function, in order to cope with the changing business environment.

## SHAREHOLDERS' RIGHTS

### Procedure for shareholders to put forward enquiries to the Board

The Company's website provides email address and enquiry telephone lines to enable shareholders of the Company to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the company secretary of the Company who will direct the enquiries to the Board for handling.

### Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more members 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 secretary of the Company, 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 (2) months after the deposit of such requisition. If within twenty-one (21) 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.

### Procedures for shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

Pursuant to Article 88 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

If a shareholder wishes to propose a person (the "Candidate") for election as a director of the Company at a general meeting, or any enquiries and concerns, he/she shall deposit a written notice at the Company's head office at Suite 3007-8, 30/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong (address to the company secretary). The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Company's shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports.

The Company's registrars serve the shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Board members and management of the Company are available to answer shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all shareholders at least 20 clear business days before the annual general meeting.

All shareholders' communications, including interim and annual reports, announcements and press releases as well as the shareholders communication policy and the procedures for the election of Directors by shareholder are available on the Company's website at www.irasia.com/listco/hk/greeninternational/. The latest business developments and core strategies of the Company can also be found on the website, keeping the communications with investors open and transparent.

## INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at ir@green-international.com.

During the year, the Company did not make any changes to the memorandum and articles of association and the current version of which is available on the websites of the Stock Exchange and the Company.

# Report of the Directors

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in Note 18 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in Note 5 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Group and the Company as at that date are set out on pages 34 to 104. Directors do not recommend the payment of any dividend in respect of the year.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 25 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 39 of this annual report and Note 26 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had the following distributable reserves which may be applied to pay up unissued shares to be issued to shareholders of the Company as fully paid bonus shares subject to relevant laws and regulations:

| | *HK$'000* |
|---|---|
| Share premium | 495,054 |
| Accumulated losses | (136,336) |
| | 358,718 |

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in Note 27 to the consolidated financial statements.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past 5 financial years are set out on pages 105 to 106 of this annual report.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the paragraph headed "Capital Structure" in the "Management Discussion and Analysis" section above, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the year.

## DIRECTORS

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

### Executive Directors

Dr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)*
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang
Dr. Wen Jialong (resigned on 15 January 2014)

### Non-Executive Director

Ms. Yu Jiaoli

### Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan

In accordance with the Company's articles of association, Mr. Wong Man Keung, Ms. Yang Jun, Mr. Yeung King Wah, Kenneth and Mr. Low Chin Sin are required to retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical particulars of the Directors are set out on pages 9 to 11 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors Mr. Wong Man Keung and Ms. Yang Jun, has entered into a service agreement with the Company for a period of 3 years commencing on 7 November 2014 which could be terminated by either party giving to the other not less than 3 months' written notice.

Mr. Chen Hanhong, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 July 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Ms. Yang Ya, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 August 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Each of the executive Directors Dr. Yang Wang Jian and Dr. Yu Qigang, has entered into a service agreement with the Company for a period of 3 years commencing on 5 September 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Ms. Yu Jiaoli, a non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 1 July 2014 which could be terminated by either party giving to the other not less than 1 month's written notice.

Mr. Ye Yunhan, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 5 September 2014 which could be terminated by either party giving to the other not less than 1 month's written notice.

Each of the independent non-executive Directors Mr. Yeung King Wah, Kenneth and Mr. Wu Hong, has entered into a letter of appointment with the Company for a period of 1 year commencing on 7 November 2014 which could be terminated by either party giving to the other not less than 1 month's written notice. Mr. Yeung King Wah, Kenneth and Mr. Wu Hong were appointed as independent non-executive Directors on 7 November 2011.

Mr. Low Chin Sin, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 15 November 2014 which could be terminated by either party giving to the other not less than 1 month's written notice. Mr. Low Chin Sin was appointed as an independent non-executive Director on 15 November 2012.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within 1 year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Notes 35(b) and 35(c) to the consolidated financial statements (Dr. Yang Wang Jian, an executive Director and Chairman of the Board, is the controlling shareholder of the Company), no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Notes 35(b) and 35(c) to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries, and controlling shareholder or any entities beneficially owned by controlling shareholder entered into any contract of significance.

## CONNECTED TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS

Excluding the equity transfer agreement signed by Tai Cheng International Limited and Tai Heng International Limited on 1 September 2014, the transactions as set out in Note 35 to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As far as the transactions as set out in Note 35(a) to the consolidated financial statements are concerned, the remuneration of the Directors as determined pursuant to the service agreements/letters of appointment entered into between the Directors and the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 1 September 2014, Tai Cheng International Limited, a company incorporated in Hong Kong and an indirect non-wholly-owned subsidiary of the Company (as the "Vendor") and Tai Heng International Limited, a company incorporated in Hong Kong and a connected person of the Company at the subsidiary level (as the "Purchaser") entered into the equity transfer agreement, pursuant to which the Vendor, has conditionally agreed to dispose of 100% equity interest in 廣西靈山泰晴玩具有限公司, a company established in the PRC which was wholly owned by the Vendor to the Purchaser, at the consideration of HK$27,000,000. ("Disposal"). The Disposal was completed on 26 September 2014.

Mr. Ng Wing Hong Jimmy ("Mr. Ng"), is a substantial shareholder and one of the directors of the Vendor and therefore a connected person of the Company at the subsidiary level. Mr. Ng is also ultimately interested in 45% interest in the Purchaser and therefore the Purchaser is an associate of Mr. Ng and a connected person of the Company. Therefore, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Disposal is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements and is exempt from independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

The relevant announcement was made on 1 September 2014.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executives 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 ("SFO")) (a) which were 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 which they were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were are follows:

### The Company

**(a) Long positions in shares**

| Name of Director | Capacity in which the shares are held | Number of shares held | Approximate percentage of total issued shares |
|---|---|---|---|
| Dr. Yang Wang Jian *(Note i)* | Interest of controlled corporations | 1,069,465,069 | 57.69% |
| Dr. Yu Qigang *(Note ii)* | Others | 160,419,760 | 8.65% |

*Notes:*

(i) 1,069,465,069 shares are beneficially owned by Gold Bless International Invest Limited ("Gold Bless"), a company of which 85% of its share capital is owned by Dr. Yang Wang Jian and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 1,069,465,069 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 8.65% of the existing issued share capital of the Company.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2014.

**(b) Long positions in underlying shares**

| Name of Director | Capacity in which the underlying shares are held | Interest in the underlying shares | Approximate percentage of total issued shares |
|---|---|---|---|
| Dr. Yang Wang Jian *(Note i)* | Beneficial owner | 9,000,000 | 0.486% |
| Mr. Wong Man Keung *(Note i)* | Beneficial owner | 9,000,000 | 0.486% |
| Ms. Yang Jun *(Note i)* | Beneficial owner | 6,000,000 | 0.32% |
| Ms. Yang Ya *(Note i)* | Beneficial owner | 5,800,000 | 0.31% |

*Notes:*

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) The percentages are calculated based on the total number of issued shares as at 31 December 2014.

## Associated corporation – Gold Bless International Invest Limited (the Company is a controlled corporation)

**Long positions in shares**

| Name of Director | Capacity in which the shares are held | Number of shares held | Approximate percentage of total issued shares |
|---|---|---|---|
| Dr. Yang Wang Jian | Beneficial owner | 85 | 85.00% |
| Dr. Yu Qigang *(Note i)* | Interest of controlled corporations | 15 | 15.00% |

*Note:*

(i) The shares are beneficially owned by Winning Top Investments Limited, a company of which the entire share capital is owned by Dr. Yu Qigang and therefore, Dr. Yu Qigang is deemed to be interested in such shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2014, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

## ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section below and in Note 25(b) to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

### The Company

**(a) Long positions in shares**

| Name of substantial shareholder | Capacity in which the shares are held | Number of shares held | Approximate percentage of total issued shares |
|---|---|---|---|
| Gold Bless International Invest Limited *(Note i & ii)* | Beneficial owner | 1,069,465,069 | 57.69% |
| Dr. Yang Wang Jian *(Note i)* | Interest of controlled corporations | 1,069,465,069 | 57.69% |
| Ms. Tan Li *(Note i)* | Interest of spouse | 1,069,465,069 | 57.69% |
| Dr. Yu Qigang *(Note ii)* | Others | 160,419,760 | 8.65% |
| Ms. Zhou Cuiqiong *(Note ii)* | Interest of spouse | 160,419,760 | 8.65% |

*Notes:*

(i) Gold Bless, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian, beneficially owned 1,069,465,069 shares and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore, pursuant to Part XV of the SFO, Ms. Tan Li was also deemed to be interested in all of the above mentioned shares.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 1,069,465,069 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 8.65% of the existing issued share capital of the Company. Ms. Zhou Cuiqiong is the spouse of Dr. Yu Qigang, therefore, pursuant to Part XV of the SFO, Ms. Zhou Cuiqiong is also deemed to be effectively interested in approximately 8.65% of the existing issued share capital of the Company.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2014.

**(b) Long positions in underlying shares**

| Name of substantial shareholder | Capacity in which the underlying shares are held | Interest in the underlying shares | Approximate percentage of total issued shares |
|---|---|---|---|
| Dr. Yang Wang Jian *(Note i)* | Beneficial owner | 9,000,000 | 0.486% |
| Ms. Tan Li *(Note ii)* | Interest of spouse | 9,000,000 | 0.486% |
| Au Eva *(Note iii)* | Beneficial owner | 97,650,000 | 5.27% |
| Chung Sum Sang *(Note iii)* | Beneficial owner | 227,850,000 | 12.29% |

*Notes:*

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective substantial shareholders and Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore, pursuant to Part XV of SFO, Ms. Tan Li is also deemed to be interested in all of the shares which Dr. Yang Wang Jian is interested in.

(iii) Convertible Bonds have issued and allotted to Ms. Au Eva and Mr. Chung Sum Sang pursuant to the sale and purchase agreement dated 21 November 2014 entered into between the Company and Ms. Au and Mr. Chung in relation to acquisition of the entire equity interest in Rainbow Star Global Limited.

(iv) The percentages are calculated based on the total number of issued shares as at 31 December 2014.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2014, had the Voting Entitlements or any interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's 5 largest customers accounted for approximately 83.9% and the largest customer accounted for approximately 40.6% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's 5 largest suppliers accounted for approximately 90.3% and the largest supplier accounted for approximately 88.8% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in the five largest suppliers or customers of the Group.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the year and up to the date of this annual report.

## PRE-EMPTIVE RIGHTS

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

## SHARE OPTION SCHEME

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share (adjusted to HK$0.32 per share on 19 August 2014) were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The movements in share options during the year are as follows:

| Name of grantee | Exercise price *HK$* | Exercisable period | As at 1 January 2014 | Granted during the year | Exercised/ Lapsed during the year | As at 31 December 2014 |
|---|---|---|---|---|---|---|
| **Directors and/or substantial shareholders** | | | | | | |
| Dr. Yang Wang Jian | 0.32 | 11.5.2012 to 10.5.2022 | 9,000,000 | – | – | 9,000,000 |
| Mr. Wong Man Keung | 0.32 | 11.5.2012 to 10.5.2022 | 9,000,000 | – | – | 9,000,000 |
| Ms. Yang Jun | 0.32 | 11.5.2012 to 10.5.2022 | 6,000,000 | – | – | 6,000,000 |
| Ms. Yang Ya | 0.32 | 11.5.2012 to 10.5.2022 | 5,800,000 | – | – | 5,800,000 |
| Mr. Fang Bai Jin | 0.32 | 11.5.2012 to 10.5.2022 | 9,000,000 | – | – | 9,000,000 |
| **Other persons** | 0.32 | 11.5.2012 to 10.5.2022 | 25,000,000 | – | (8,000,000) | 17,000,000 |
| | | | 63,800,000 | – | (8,000,000) | 55,800,000 |

## PENSION SCHEME ARRANGEMENTS

The Company and its subsidiaries operating in Hong Kong are required to participate in a contribution retirement scheme of the Group set up in accordance with the Hong Kong Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Under the scheme, employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,250 per month (HK$1,000 prior to June 2012) and they may choose to make additional contributions. The employer's monthly contribution is at the rate of 5% of each employee's monthly salary up to the maximum limit of HK$1,250 per month (HK$1,000 prior to June 2012).

Subsidiaries operating in the PRC are required to participate in contribution retirement schemes organised by the relevant local government authorities since incorporation.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 22 of this annual report.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director in writing an annual confirmation of his independence and the Company considered all independent non-executive Directors to be independent.

## INDEPENDENT AUDITOR

The financial statements for the years ended 31 December 2012 to 2013 were audited by Parker Randall CF (H.K.) CPA Limited.

McMillan Woods SG CPA Limited has been appointed as the Company's external auditor since 2014 until the conclusion of the next annual general meeting. A resolution for the re-appointment of McMillan Woods SG CPA Limited as independent auditor of the Company will be proposed at the annual general meeting in 2015.

On behalf of the Board
**Yang Wang Jian**
*Chairman*

Hong Kong, 30 March 2015

# Independent Auditor's Report

**TO THE SHAREHOLDERS OF GREEN INTERNATIONAL HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Green International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 34 to 104, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## 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, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## OPINION

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

**McMillan Woods SG CPA Limited**
*Certified Public Accountants*
**Seto Man Fai**
Practising Certificate No.: P05229

Hong Kong
30 March 2015

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **160,940** | 583,057 |
| Direct costs and operating expenses | 7 | **(147,899)** | (572,393) |
| **Gross profit** | | **13,041** | 10,664 |
| Other income and gains | 6 | **1,021** | 531 |
| Selling expenses | 7 | **(25,877)** | (1,215) |
| Administrative expenses | 7 | **(41,627)** | (22,778) |
| Provision for impairment of property, plant and equipment | 14 | **–** | (1,128) |
| Provision for impairment of goodwill | 15 | **(29,759)** | (1,744) |
| Discount on past due balances of trade receivables | 21 | **(10,601)** | (28,846) |
| Finance (costs)/income, net | 8 | **(4,255)** | 225 |
| **Loss before income tax** | | **(98,057)** | (44,291) |
| Income tax expense | 9 | **(728)** | (1,444) |
| **Loss for the year** | | **(98,785)** | (45,735) |
| **(Loss)/Profit for the year attributable to:** | | | |
| – Equity holders of the Company | | **(99,147)** | (48,947) |
| – Non-controlling interests | | **362** | 3,212 |
| | | **(98,785)** | (45,735) |
| **Loss per share for loss for the year attributable to the equity holders of the Company (restated)** | | | |
| – Basic *(HK cents)* | 12 | **(5.99)** | (4.26) |
| – Diluted *(HK cents)* | 12 | **(5.99)** | (4.26) |

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.
Dividends payable to the equity holders of the Company are set out in Note 13.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| **Loss for the year** | **(98,785)** | (45,735) |
| **Other comprehensive income, net of tax** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Currency translation differences | | |
| – Exchange differences arising during the year | **608** | 158 |
| – Reclassification adjustments relating to foreign operations disposed of during the year | **21** | – |
| | **629** | 158 |
| **Total comprehensive expenses for the year** | **(98,156)** | (45,577) |
| **Total comprehensive (expenses)/income for the year attributable to:** | | |
| – Equity holders of the Company | **(98,483)** | (48,941) |
| – Non-controlling interests | **327** | 3,364 |
| | **(98,156)** | (45,577) |

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **15,772** | 19,574 |
| Goodwill | 15 | **160,877** | 29,759 |
| Other intangible assets | 16 | **1,568** | – |
| Deposit paid for acquisition of subsidiaries | 17 | **20,000** | 88,692 |
| | | **198,217** | 138,025 |
| **Current assets** | | | |
| Inventories | 19 | **696** | 1,271 |
| Trade receivables | 21 | **111,325** | 282,610 |
| Loan receivable | 22 | **19,000** | – |
| Prepayments, deposits and other receivables | 23 | **38,222** | 8,965 |
| Amount due from a non-controlling shareholder of a subsidiary | | **–** | 3,764 |
| Tax recoverable | | **707** | 1,271 |
| Cash and cash equivalents | 24 | **131,205** | 80,486 |
| | | **301,155** | 378,367 |
| **Total assets** | | **499,372** | 516,392 |

# Consolidated Statement of Financial Position

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 25 | **18,537** | 12,190 |
| Share premium | 26(a) | **495,054** | 208,389 |
| Other reserves | 26(a) | **69,326** | 22,629 |
| Accumulated losses | 26(a) | **(128,187)** | (32,453) |
| | | **454,730** | 210,755 |
| **Non-controlling interests** | | **6,876** | 6,580 |
| **Total equity** | | **461,606** | 217,335 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | 27 | **8,584** | 4,169 |
| Contingent consideration payable | 28 | **273** | 6,099 |
| | | **8,857** | 10,268 |
| **Current liabilities** | | | |
| Trade payables | 29 | **3,632** | 144,956 |
| Other payables, accruals and deposits received | 30 | **25,266** | 18,332 |
| Amount due to controlling shareholder | 35(c) | **–** | 122,591 |
| Tax payable | | **11** | 2,910 |
| | | **28,909** | 288,789 |
| **Total liabilities** | | **37,766** | 299,057 |
| **Total equity and liabilities** | | **499,372** | 516,392 |
| **Net current assets** | | **272,246** | 89,578 |
| **Total assets less current liabilities** | | **470,463** | 227,603 |

On behalf of the Board

**Yang Wang Jian**
*Director*

**Wong Man Keung**
*Director*

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.

# Statement of Financial Position

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 18 | – | – |
| Deposit paid for acquisition of subsidiaries | 17 | 20,000 | – |
| | | 20,000 | – |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | 23 | 4,877 | 1,330 |
| Amounts due from subsidiaries | 35(d) | 341,325 | 125,657 |
| Cash and cash equivalents | 24 | 89,384 | 8,431 |
| | | 435,586 | 135,418 |
| **Total assets** | | 455,586 | 135,418 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 25 | 18,537 | 12,190 |
| Share premium | 26(b) | 495,054 | 208,389 |
| Other reserves | 26(b) | 68,597 | 15,991 |
| Accumulated losses | 26(b) | (136,336) | (115,668) |
| **Total equity** | | 445,852 | 120,902 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | 27 | 8,584 | 4,169 |
| **Current liabilities** | | | |
| Other payables, accruals and deposits received | 30 | 1,150 | 347 |
| Amount due to controlling shareholder | 35(c) | – | 10,000 |
| | | 1,150 | 10,347 |
| **Total liabilities** | | 9,734 | 14,516 |
| **Total equity and liabilities** | | 455,586 | 135,418 |
| **Net current assets** | | 434,436 | 125,071 |
| **Total assets less current liabilities** | | 454,436 | 125,071 |

On behalf of the Board

**Yang Wang Jian**
*Director*

**Wong Man Keung**
*Director*

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

| | Attributable to the equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Other reserves HK$'000 | (Accumulated losses)/ Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2013 | 9,040 | 143,588 | 35,343 | 9,190 | 197,161 | 3,216 | 200,377 |
| **Total comprehensive (expense)/income for the year** | | | | | | | |
| (Loss)/Profit for the year | – | – | – | (48,947) | (48,947) | 3,212 | (45,735) |
| Other comprehensive income for the year | – | – | 6 | – | 6 | 152 | 158 |
| | – | – | 6 | (48,947) | (48,941) | 3,364 | (45,577) |
| **Transactions with owners** | | | | | | | |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(i))* | 1,268 | 24,150 | – | – | 25,418 | – | 25,418 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(ii))* | 540 | 12,157 | – | – | 12,697 | – | 12,697 |
| Issue of shares on conversion of convertible bonds *(Note 25(a)(iii))* | 1,342 | 28,494 | (5,416) | – | 24,420 | – | 24,420 |
| Lapse of share options *(Note 25(b)(ii))* | – | – | (408) | 408 | – | – | – |
| Fair value change of contingent consideration payable *(Note 28)* | – | – | (6,896) | 6,896 | – | – | – |
| | 3,150 | 64,801 | (12,720) | 7,304 | 62,535 | – | 62,535 |
| At 31 December 2013 | **12,190** | **208,389** | **22,629** | **(32,453)** | **210,755** | **6,580** | **217,335** |
| **Total comprehensive (expenses)/income for the year** | | | | | | | |
| (Loss)/Profit for the year | **–** | **–** | **–** | **(99,147)** | **(99,147)** | **362** | **(98,785)** |
| Other comprehensive income/(expenses) for the year | **–** | **–** | **664** | **–** | **664** | **(35)** | **629** |
| | **–** | **–** | **664** | **(99,147)** | **(98,483)** | **327** | **(98,156)** |
| **Transactions with owners** | | | | | | | |
| Issue of shares upon exercise of share options *(Note 25(a)(iv))* | **10** | **564** | **(204)** | **–** | **370** | **–** | **370** |
| Acquisition of subsidiaries *(Note 32(a))* | **–** | **–** | **76,620** | **–** | **76,620** | **(31)** | **76,589** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(v))* | **511** | **25,029** | **(25,540)** | **–** | **–** | **–** | **–** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **12,725** | **–** | **12,725** | **–** | **12,725** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **7,436** | **–** | **7,436** | **–** | **7,436** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(vi))* | **600** | **30,421** | **(7,436)** | **–** | **23,585** | **–** | **23,585** |
| Issue of shares upon completion of an open offer *(Note 25(a)(vii))* | **3,993** | **174,014** | **–** | **–** | **178,007** | **–** | **178,007** |
| Issue of shares upon exercise of share options *(Note 25(a)(viii))* | **70** | **3,600** | **(1,430)** | **–** | **2,240** | **–** | **2,240** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(ix))* | **1,163** | **53,037** | **(12,725)** | **–** | **41,475** | **–** | **41,475** |
| Fair value change of contingent consideration payable *(Note 28)* | **–** | **–** | **(3,413)** | **3,413** | **–** | **–** | **–** |
| | **6,347** | **286,665** | **46,033** | **3,413** | **342,458** | **(31)** | **342,427** |
| At 31 December 2014 | **18,537** | **495,054** | **69,326** | **(128,187)** | **454,730** | **6,876** | **461,606** |

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 31 | **(60,422)** | 40,727 |
| Profits tax paid | | **(3,063)** | (26,894) |
| Net cash (used in)/generated from operating activities | | **(63,485)** | 13,833 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | 14 | **(10,475)** | (18,390) |
| Increase in loan receivable | | **(19,000)** | – |
| Interest received | | **76** | 14 |
| Deposit paid for acquisition of subsidiaries | 17 | **(20,000)** | (88,692) |
| Net cash outflow on acquisition of subsidiaries | 32 | **(1,090)** | – |
| Net cash inflow on disposal of a subsidiary | 33 | **26,397** | – |
| Net cash used in investing activities | | **(24,092)** | (107,068) |
| **Cash flows from financing activities** | | | |
| Proceeds from other borrowings raised | | **–** | 5,000 |
| Repayment of other borrowings | | **–** | (5,000) |
| Advances from controlling shareholder | | **–** | 108,592 |
| Repayments to controlling shareholder | | **(122,591)** | (8,476) |
| Interest paid | | **(527)** | (2,005) |
| Net proceeds from issue of shares upon completion of the top-up placings and top-up subscriptions | | **–** | 38,115 |
| Net proceeds from issue of shares upon exercise of share options | | **2,610** | – |
| Net proceeds from issue of convertible bonds | | **79,776** | – |
| Net proceeds from issue of shares upon completion of an open offer | | **178,007** | – |
| Net cash generated from financing activities | | **137,275** | 136,226 |
| Net increase in cash and cash equivalents | | **49,698** | 42,991 |
| Cash and cash equivalents at 1 January | | **80,486** | 37,475 |
| Effects of exchange rate changes on balances denominated in foreign currencies | | **1,021** | 20 |
| Cash and cash equivalents at 31 December | 24 | **131,205** | 80,486 |

The notes on pages 41 to 104 are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2006.

Following the acquisition of a clubhouse business on 30 January 2014 (Note 32(a)), the Group were principally engaged in the manufacturing and trading of recreational and educational toys and equipment and operation of clubhouse business during the year.

The Directors consider Gold Bless International Invest Limited ("Gold Bless"), a company incorporated in the British Virgin Islands (the "BVI"), to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of the Company on 30 March 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance, Cap. 32, in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance, Cap. 622, "Accounts and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration payable, which is carried at fair value.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

### 2.2 Adoption of new standards, amendments and interpretations to existing standards and other applicable disclosure requirements

*(a) Effect of adopting amendments and interpretations to existing standards*

The following amendments and interpretations to existing standards have been adopted by the Group in the current year.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC)-Int 21 | Levies |
| Amendment to HKFRS 13 included in Annual Improvements to HKFRSs 2010-2012 Cycle | Short-term Receivables and Payables |
| Amendment to HKFRS 1 included in Annual Improvements to HKFRSs 2011-2013 Cycle | Meaning of Effective HKFRSs |

The adoption of these amendments and interpretations to existing standards has no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Adoption of new standards, amendments and interpretations to existing standards and other applicable disclosure requirements *(Continued)*

(b) *New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following published new standards, amendments and interpretations to existing standards are mandatory for the Group's financial periods beginning on or after 1 January 2015 and have not been early adopted by the Group.

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

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

[3] Effective for annual periods beginning on or after 1 January 2016

[4] Effective for annual periods beginning on or after 1 January 2017

[5] Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that the adoption of the above new standards, amendments and interpretations to existing standards will not result in a significant impact on the results and financial position of the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Adoption of new standards, amendments and interpretations to existing standards and other applicable disclosure requirements *(Continued)*

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

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

### 2.3 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

*(a) 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.

Intra-group transactions and balances, and unrealised profits arising on transactions between group companies are fully eliminated. Unrealised losses arising on transactions between group companies are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity instruments issued by the Group to the former owners of the acquiree. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Subsidiaries *(Continued)*

*(a) Consolidation (Continued)*

(i) Business combinations *(Continued)*

Any contingent consideration 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 other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the acquisition-date net fair values of the identifiable assets acquired and liabilities assumed. If this aggregate is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) 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 the fair value of any consideration and the amount by which the non-controlling interests are adjusted is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interests 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 subsequent accounting for the retained interests as an associate, a joint venture or a 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.

*(b) Separate financial statements*

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. Cost also 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 of the investee's net assets including goodwill in the consolidated financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 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 Board that makes strategic decisions. The chief executive officer of the Company is empowered by the Board to manage the assets and activities of the Company.

### 2.5 Foreign currency translation

*(a) 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, which is the Company's functional currency and the Group's presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where the items are re-measured. 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 consolidated statement of profit or loss.

*(c) Group companies*

The results and financial positions of all group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's 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 profit or loss 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 rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

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 other comprehensive income.

*(d) Disposal and partial disposal of foreign operation*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.5 Foreign currency translation *(Continued)*

*(d) Disposal and partial disposal of foreign operation (Continued)*

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 interests to associates, joint ventures or financial assets), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Leasehold improvements | 3 years or the lease period, whichever is shorter |
| Plant and machinery | 5 – 10 years |
| Office equipment, furniture and fixtures | 3 years |
| Transportation vehicles | 3 – 5 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalised of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for construction in progress.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Group's operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### 2.8 Other intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are also 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 (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 Financial instruments

*(a)* *Classification*

The Group classifies all of 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. The Group's loans and receivables comprises trade and other receivables, loan receivable and cash and cash equivalents (Notes 2.12, 2.10(b) and 2.13).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Financial instruments *(Continued)*

(a) *Classification (Continued)*

The Group's financial liabilities carried at fair value through profit or loss includes contingent consideration payable arising from business combinations (Note 2.3(a)(i)). The Group's other financial liabilities comprising convertible bonds, trade and other payables and borrowings (Notes 2.15, 2.16 and 2.17) are measured at amortised costs.

(b) *Recognition and measurement*

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, for financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets or assumption of the financial liabilities, otherwise the transaction costs are expensed in profit or loss.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised using trade date accounting.

Loans and receivables and financial liabilities other than those carried at fair value are subsequently carried at amortised cost using the effective interest method.

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset, together with substantially all the risks and rewards of ownership, have been transferred. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

(d) *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Financial instruments *(Continued)*

*(d) Impairment of financial assets (Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated provision for impairment.

### 2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts (if any). In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### 2.14 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.15 Convertible bonds

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. 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.

### 2.16 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 and other 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings 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 the reporting period.

### 2.18 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.

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

### 2.19 Current and deferred income tax

Tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.19 Current and deferred income tax *(Continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries 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.

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 tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a 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 end of the reporting period 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 profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities 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.

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

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.

### 2.20 Employee benefits

*(a) Pension obligations*

(i) Hong Kong

The Group participates in a mandatory provident fund scheme (the "MPF scheme"), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Employee benefits *(Continued)*

*(a) Pension obligations (Continued)*

(i) Hong Kong *(Continued)*

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,500 per employee per month (HK$1,250 prior to June 2014). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) The PRC

The Group participates in a defined contribution scheme administrated by the relevant authorities of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

*(b) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(c) Share-based compensation plan*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Employee benefits *(Continued)*

*(d) Bonus plan*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### 2.21 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 obligations. The increase in the provision due to passage of time is recognised as interest expense.

### 2.22 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### 2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.23 Revenue recognition *(Continued)*

(a) *Revenue from sales of goods*

Revenue from sales of goods is recognised when all the following conditions are satisfied:

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

Deposits and instalments received prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other payables, accruals and deposits received as current liabilities.

(b) *Revenue from clubhouse business*

Revenue from the clubhouse business is recognised when the services have been provided to the customers. Prepayments from customers in respect of the membership schemes which are considered to be unearned at the reporting date are classified as receipts in advance and recognised within other payables, accruals and deposits received in the consolidated statement of financial position.

(c) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

### 2.25 Dividend distribution

Dividend distributable to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to each other);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.27 Exceptional items

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items that have been shown separately due to the significance of their nature or amount.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value 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 exchange risk*

The Group mainly operates in Hong Kong and the PRC with its transactions mainly denominated in HK$, Renminbi ("RMB"), United States dollars ("US$") and Euro. The Group is therefore exposed to foreign exchange risk arising from RMB, US$ and Euro, primarily with respect to HK$ which is the Company's functional and the Group's presentation currency. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities or net investments in foreign operations are denominated in a currency that is not an entity's functional currency.

As HK$ are reasonably stable with US$ under the Linked Exchange Rate System and that the Group has no material transactions denominated in Euro, management considers the Group's foreign exchange risk arisen from US$ and Euro is low.

As at 31 December 2014, if HK$ had weakened/strengthened by 5% against RMB, with all other variables constant, loss before income tax for the year would have been approximately HK$2,863,000 lower/higher (2013: HK$3,548,000 higher/lower) mainly as a result of foreign exchange differences on translation of RMB-denominated monetary assets and liabilities.

The Group does not use any foreign exchange derivative contracts to manage foreign exchange risk.

(b) *Credit risk*

The Group has significant concentrations of credit risk as a number of customers account for a significant portion of the Group's revenue. The carrying amounts of trade receivables (Note 21), loan receivable (Note 22), deposits and other receivables (Note 23), amount due from a non-controlling shareholder of a subsidiary and cash and cash equivalents (Note 24) included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2014 and 2013, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(b) Credit risk (Continued)*

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

*(c) Liquidity risk*

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| **Group** | | |
| Less than 1 year or repayable on demand: | | |
| – Trade payables *(Note 29)* | **3,632** | 144,956 |
| – Other payables and accruals *(Note 30)* | **14,033** | 11,484 |
| – Amount due to controlling shareholder *(Note 35(c))* | **–** | 122,591 |
| | **17,665** | 279,031 |
| More than 1 year: | | |
| – Convertible bonds *(Note 27)* | **11,792** | 6,164 |
| – Contingent consideration payable *(Note 28)* | **477** | 11,519 |
| | **12,269** | 17,683 |
| **Company** | | |
| Less than 1 year: | | |
| – Other payables and accruals *(Note 30)* | **1,150** | 347 |
| – Amount due to controlling shareholder *(Note 35(c))* | **–** | 10,000 |
| | **1,150** | 10,347 |
| More than 1 year: | | |
| – Convertible bonds *(Note 27)* | **11,792** | 6,164 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(d) Cash flow and fair value interest rate risk*

Except for cash and cash equivalents (Note 24), the Group has no other significant interest-bearing assets at floating rates. The Group's loan receivable (Note 22) bears interest at fixed rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from interest bearing borrowings. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2014, the Group has convertible bonds (2013: part of the amount due to controlling shareholder and convertible bonds) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of convertible bonds and amount due to controlling shareholder are disclosed in Notes 27 and 35(c) respectively.

The Group does not use derivative financial instruments to hedge its cash flow and fair value interest rate risk.

### 3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.2 Capital risk management *(Continued)*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Total liabilities | **37,766** | 299,057 |
| Total assets | **499,372** | 516,392 |
| Gearing ratio | **7.6%** | 57.9% |

### 3.3 Fair value estimation on a recurring basis

The table below analyses financial instruments carried at fair value at the end of each reporting period, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2014 and 2013. The Group has no assets that are measured at fair value as at 31 December 2014 and 2013.

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2014** | | | | |
| Contingent consideration payable *(Note 28)* | **–** | **–** | **273** | **273** |
| 2013 | | | | |
| Contingent consideration payable *(Note 28)* | – | – | 6,099 | 6,099 |

As one or more of the significant inputs required to fair value the contingent consideration payable is not based on observable market data, it is included in Level 3. The valuation technique used to value it is discounted cash flow analysis.

There were no transfers between Levels 1, 2 and 3 during the years ending 31 December 2014 and 2013.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

The following table presents the changes in Level 3 instruments (contingent consideration payable) for the years ended 31 December 2014 and 2013.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Balance at 1 January | **6,099** | 14,761 |
| Fair value change *(Note 8)* | **(2,112)** | (4,587) |
| Settlement by issuance of convertible bonds *(Note 27)* | **(3,714)** | (4,075) |
| Balance at 31 December | **273** | 6,099 |
| Total gain for the year included in profit or loss under finance income/costs, net | **2,112** | 4,587 |

The Group does not offset its financial assets and financial liabilities for presentation purposes in the consolidated statement of financial position.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 to the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 15).

In 2014, an impairment charge of approximately HK$29,759,000 arose in a trading CGU (2013: HK$1,744,000 from a manufacturing CGU) of the toys business of the Group, resulting in the carrying amount of the related goodwill being fully written off.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (b) Impairment of other non-financial assets

Non-financial assets including investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, it may be necessary to reverse the previously recognised impairment losses, or to take further impairment charge to the consolidated statement of profit or loss.

In 2013, an impairment charge of approximately HK$1,128,000 arose in a manufacturing CGU of the toys business of the Group, resulting in the carrying amount of the related plant and machinery being fully written off.

### (c) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. Management reassesses the provision at the end of each reporting period.

As at 31 December 2014, the Group had outstanding receivables of approximately HK$163,304,000 (2013: HK$323,988,000); out of which approximately HK$160,451,000 (2013: HK$237,975,000) were overdue. Management believes those outstanding receivables can be fully recovered and up to 31 December 2014 has made an accumulated provision of approximately HK$51,979,000 (2013: HK$41,378,000) for the discounting effect for the time value of money.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (d) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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.

### (e) Estimated fair values of convertible bonds and contingent consideration payable

The fair values of convertible bonds and contingent consideration payable are determined based on the Directors' estimation in light of the latest information obtained relating to the convertible bonds and contingent consideration payable or with reference to independent valuer's assessment. Any new development in the convertible bonds, contingent consideration payable or the market conditions and changes in assumptions and estimates can affect the fair values of these convertible bonds and contingent consideration payable.

## 5 REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business segments represent a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business segments. Management considers the Group's business segments are as follows:

(a) the toys business segment engages in the manufacturing and trading of recreational and educational toys and equipment; and

(b) the clubhouse business segment engages in the operation of clubhouse business.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

The Group primarily operates in Hong Kong and the PRC.

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's sales are delivered to customers located in the following regions:

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| **For the year ended 31 December 2014** | | | |
| Hong Kong | **1,208** | **–** | **1,208** |
| The PRC | **6,083** | **17,205** | **23,288** |
| Europe | **57,417** | **–** | **57,417** |
| Japan | **72,449** | **–** | **72,449** |
| South America | **924** | **–** | **924** |
| North America | **3,383** | **–** | **3,383** |
| Others | **2,271** | **–** | **2,271** |
| | **143,735** | **17,205** | **160,940** |

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| For the year ended 31 December 2013 | | | |
| Hong Kong | 10,408 | – | 10,408 |
| The PRC | 7,844 | – | 7,844 |
| Europe | 127,170 | – | 127,170 |
| Japan | 409,033 | – | 409,033 |
| South America | – | – | – |
| North America | 21,189 | – | 21,189 |
| Others | 7,413 | – | 7,413 |
| | 583,057 | – | 583,057 |

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse business segment, respectively. During the year ended 31 December 2014, revenue of approximately HK$121,637,000 (2013: HK$508,815,000) were derived from 2 major customers (2013: 2 customers) who individually account for more than 10% of the total revenue.

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Toys business | **(47,962)** | (28,739) |
| Clubhouse business | **(27,261)** | – |
| Total net operating loss by operating segments | **(75,223)** | (28,739) |
| Unallocated corporate expenses, net | **(18,840)** | (15,777) |
| Gain on disposal of a subsidiary *(Note 33)* | **261** | – |
| Finance (costs)/income, net | **(4,255)** | 225 |
| Loss before income tax | **(98,057)** | (44,291) |
| Income tax expense | **(728)** | (1,444) |
| Loss for the year | **(98,785)** | (45,735) |

Total assets of the Group by operating segments and geographical regions are as follows:

| | **Toys business** | **Clubhouse business** | **Consolidated** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **As at 31 December 2014** | | | |
| Hong Kong | **118,722** | **–** | **118,722** |
| The PRC | **1,499** | **181,009** | **182,508** |
| | **120,221** | **181,009** | **301,230** |
| Unallocated corporate assets | | | **178,142** |
| Deposit paid for acquisition of subsidiaries | | | **20,000** |
| | | | **499,372** |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| As at 31 December 2013 | | | |
| Hong Kong | 363,921 | – | 363,921 |
| The PRC | 28,521 | – | 28,521 |
| | 392,442 | – | 392,442 |
| Unallocated corporate assets | | | 35,258 |
| Deposit paid for acquisition of subsidiaries | | | 88,692 |
| | | | 516,392 |

Total assets are allocated based on their geographical locations.

Non-current assets of the Group by operating segments and geographical regions are as follows:

| | **Toys business** ***HK$'000*** | **Clubhouse business** ***HK$'000*** | **Consolidated** ***HK$'000*** |
|---|---|---|---|
| **As at 31 December 2014** | | | |
| Hong Kong | **61** | **–** | **61** |
| The PRC | **642** | **174,874** | **175,516** |
| | **703** | **174,874** | **175,577** |
| Unallocated corporate assets | | | **2,640** |
| Deposit paid for acquisition of subsidiaries | | | **20,000** |
| | | | **198,217** |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| As at 31 December 2013 | | | |
| Hong Kong | 29,910 | – | 29,910 |
| The PRC | 19,076 | – | 19,076 |
| | 48,986 | – | 48,986 |
| Unallocated corporate assets | | | 347 |
| Deposit paid for acquisition of subsidiaries | | | 88,692 |
| | | | 138,025 |

Non-current assets are allocated based on their geographical locations.

Capital expenditures of the Group by operating segments and geographical regions are as follows:

| | **Toys business** ***HK$'000*** | **Clubhouse business** ***HK$'000*** | **Consolidated** ***HK$'000*** |
|---|---|---|---|
| **For the year ended 31 December 2014** | | | |
| Hong Kong | **53** | **–** | **53** |
| The PRC | **7,611** | **2,116** | **9,727** |
| | **7,664** | **2,116** | **9,780** |
| Unallocated corporate capital expenditures | | | **695** |
| Cash paid for acquisition of subsidiaries | | | **2,010** |
| Deposit paid for acquisition of subsidiaries | | | **20,000** |
| | | | **32,485** |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| For the year ended 31 December 2013 | | | |
| Hong Kong | 3 | – | 3 |
| The PRC | 18,383 | – | 18,383 |
| | 18,386 | – | 18,386 |
| Unallocated corporate capital expenditures | | | 4 |
| Deposit paid for acquisition of subsidiaries | | | 88,692 |
| | | | 107,082 |

Capital expenditures are allocated based on their geographical locations.

## 6 OTHER INCOME AND GAINS

| | **2014** ***HK$'000*** | 2013 HK$'000 |
|---|---|---|
| Sundry income | **86** | 116 |
| Exchange gain | **674** | 415 |
| Gain on disposal of a subsidiary *(Note 33)* | **261** | – |
| | **1,021** | 531 |

## 7 EXPENSES BY NATURE

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| – audit services | **771** | 660 |
| – non-audit services | **–** | 8 |
| Depreciation of property, plant and equipment *(Note 14)* | **6,920** | 1,346 |
| Merchandise purchased and changes in inventories *(Note 19)* | **139,595** | 568,861 |
| Subcontracting charges | **–** | 1,005 |
| Employee benefit expenses *(Note 10)* | **28,214** | 12,148 |
| Operating lease rental expenses | **13,179** | 5,130 |
| Others | **26,724** | 7,228 |
| Total direct costs, operating expenses, selling expenses and administrative expenses | **215,403** | 596,386 |

## 8 FINANCE COSTS/INCOME, NET

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Interest income: | | |
| – Bank deposits | **76** | 14 |
| – Loan receivable *(Note 22)* | **230** | – |
| Fair value change of contingent consideration payable *(Note 28)* | **2,112** | 4,587 |
| Interest expense: | | |
| – Amount due to controlling shareholder *(Note 35(c))* | **(527)** | (655) |
| – Other borrowings due within 1 year | **–** | (129) |
| – Convertible bonds *(Note 27)* | **(6,146)** | (3,592) |
| Finance (costs)/income, net | **(4,255)** | 225 |

## 9 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2013: 16.5%) and 25% (2013: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax expense charged to the consolidated statement of profit or loss represent:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Current taxation | | |
| – Hong Kong profits tax | **737** | 1,444 |
| – PRC Enterprise Income Tax | **2** | 10 |
| | **739** | 1,454 |
| Write back of over-provision in respect of prior years | | |
| – Hong Kong profits tax | **(11)** | (10) |
| | **728** | 1,444 |

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Loss before income tax | **(98,057)** | (44,291) |
| Calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%) | **(16,179)** | (7,308) |
| Effect of different tax rates in other jurisdictions | **(2,891)** | (328) |
| Income not subject to tax | **(1,100)** | (757) |
| Expenses not deductible | **12,926** | 8,229 |
| Tax losses for which no deferred income tax asset was recognized | **7,985** | 1,587 |
| Write back of over-provision in respect of prior years | **(11)** | (10) |
| Others | **(2)** | 31 |
| Income tax expense | **728** | 1,444 |

## 10 EMPLOYEE BENEFIT EXPENSES

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Wages, salaries and other short-term employee benefits | 26,934 | 11,602 |
| Pension costs – defined contribution plans | 1,280 | 546 |
| | 28,214 | 12,148 |

### (a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2014 is set out below:

| Name of Director | Fees<br>HK$'000 | Salaries, allowances and benefits in kind<br>HK$'000 | Employer's contribution to pension scheme<br>HK$'000 | Share options<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| YANG, Wang Jian | – | 720 | 17 | – | 737 |
| WONG, Man Keung | – | 938 | 17 | – | 955 |
| YANG, Jun | – | 540 | 17 | – | 557 |
| CHEN, Hanhong | 180 | – | – | – | 180 |
| YANG, Ya | – | 360 | 17 | – | 377 |
| WEN, Jialong *(Note 1)* | 14 | – | – | – | 14 |
| YU, Qigang | 360 | – | – | – | 360 |
| **Non-executive Directors** | | | | | |
| YU, Jiaoli | 120 | – | – | – | 120 |
| **Independent Non-executive Directors** | | | | | |
| YEUNG, King Wah, Kenneth | 120 | – | – | – | 120 |
| WU, Hong | 120 | – | – | – | 120 |
| LOW, Chin Sin | 120 | – | – | – | 120 |
| YE, Yunhan | 120 | – | – | – | 120 |
| | 1,154 | 2,558 | 68 | – | 3,780 |

## 10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### (a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2013 is set out below:

| Name of Director | Fees | Salaries, allowances and benefits in kind | Employer's contribution to pension scheme | Share options | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| YANG, Wang Jian *(Note 2)* | – | 116 | 5 | – | 121 |
| WONG, Man Keung | – | 960 | 15 | – | 975 |
| YANG, Jun | – | 540 | 15 | – | 555 |
| CHAN, Yin Tsung *(Note 3)* | – | 420 | 9 | – | 429 |
| TUNG, Yee Shing *(Note 3)* | – | 315 | 9 | – | 324 |
| CHEN, Hanhong *(Note 4)* | 90 | – | – | – | 90 |
| YANG, Ya *(Note 5)* | – | 150 | 6 | – | 156 |
| WEN, Jialong *(Note 1)* | 116 | – | – | – | 116 |
| YU, Qigang *(Note 2)* | 116 | – | – | – | 116 |
| **Non-executive Directors** | | | | | |
| CHEUNG, Jonathan *(Note 6)* | 2 | – | – | – | 2 |
| LEUNG, Pui Kwan *(Note 7)* | 58 | – | – | – | 58 |
| YU, Jiaoli *(Note 4)* | 60 | – | – | – | 60 |
| **Independent Non-executive Directors** | | | | | |
| YEUNG, King Wah, Kenneth | 120 | – | – | – | 120 |
| WU, Hong | 120 | – | – | – | 120 |
| LOW, Chin Sin | 120 | – | – | – | 120 |
| YE, Yunhan *(Note 2)* | 39 | – | – | – | 39 |
| | 841 | 2,501 | 59 | – | 3,401 |

*Notes:*

(1) Appointed on 5 September 2013 and resigned on 15 January 2014

(2) Appointed on 5 September 2013

(3) Resigned on 1 August 2013

(4) Appointed on 1 July 2013

(5) Appointed on 1 August 2013

(6) Resigned on 7 January 2013

(7) Appointed on 7 January 2013 and resigned on 1 July 2013

## 10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### (a) Directors' emoluments *(Continued)*

During the year, no Directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

### (b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include 3 Directors (2013: 2), whose emoluments are disclosed in Note 10(a). Details of emoluments of the remaining 2 (2013: 3) individuals are as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| Wages, salaries and other short-term employee benefits | **1,563** | 2,302 |
| Pension costs – defined contribution plans | **29** | 45 |
| | **1,592** | 2,347 |

The emoluments are within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2014** | 2013 |
| Emolument bands | | |
| Nil – HK$500,000 | **–** | – |
| HK$500,001 – HK$1,000,000 | **2** | 2 |
| HK$1,000,001 – HK$1,500,000 | **–** | 1 |
| | **2** | 3 |

## 11 LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$20,668,000 (2013: HK$16,584,000) (Note 26(b)).

## 12 LOSS PER SHARE

### Basic

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the Company of approximately HK$99,147,000 (2013: HK$48,947,000) divided by the weighted average number of approximately 1,654,760,000 (2013 (restated): 1,149,177,000) ordinary shares in issue during the year, after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business (Note 32(a)) and the effect of an open offer completed during the year (Note 25(a)(vii)) (for which an adjustment was also made retrospectively on the weighted average number of ordinary shares in issue for the year ended 31 December 2013).

## 12 LOSS PER SHARE *(Continued)*

### Basic *(Continued)*

| | 2014 | 2013 (restated) |
|---|---|---|
| Loss attributable to the equity holders of the Company *(HK$'000)* | **99,147** | 48,947 |
| Weighted average number of ordinary shares in issue *(thousands)* | **1,654,760** | 1,149,177 |
| Basic loss per share *(HK cents)* | **(5.99)** | (4.26) |

### Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 3 categories of dilutive potential ordinary shares: share options (Note 25(b)), convertible bonds (Note 27) and convertible bonds issuable for the acquisition of Tai Cheng International Limited (the "Tai Cheng CB") (Note 28).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the share options.

For the convertible bonds and the Tai Cheng CB, they are assumed to have been converted into ordinary shares, and the loss for the year attributable to the equity holders of the Company is adjusted to eliminate the interest expense of the convertible bonds and fair value change of the liability component of the Tai Cheng CB.

The computation of diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share. The computation of diluted loss per share for the year ended 31 December 2013 did not assume the exercise of the Company's outstanding share options because the exercise price of the Company's share options was higher than the average market prices per share.

The computation of diluted loss per share for the years ended 31 December 2014 and 2013 did not assume the conversion of the Company's outstanding convertible bonds and Tai Cheng CB since their assumed conversion would result in a decrease (2013: decrease) in loss per share.

## 13 DIVIDENDS

No dividend in respect of the year ended 31 December 2014 (2013: Nil) is to be proposed at the forthcoming annual general meeting.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Leasehold improvements | Plant and machinery | Office equipment, furniture and fixtures | Transportation vehicles | Construction in progress | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2013** | | | | | | |
| Cost | 968 | 4,546 | 460 | – | – | 5,974 |
| Accumulated depreciation and impairment | (357) | (1,920) | (120) | – | – | (2,397) |
| Net book amount | 611 | 2,626 | 340 | – | – | 3,577 |
| **Year ended 31 December 2013** | | | | | | |
| Opening net book amount | 611 | 2,626 | 340 | – | – | 3,577 |
| Additions | – | 79 | 7 | 362 | 17,942 | 18,390 |
| Depreciation *(Note 7)* | (326) | (870) | (150) | – | – | (1,346) |
| Provision for impairment | – | (1,128) | – | – | – | (1,128) |
| Exchange realignment | 11 | 64 | 6 | – | – | 81 |
| Closing net book amount | 296 | 771 | 203 | 362 | 17,942 | 19,574 |
| **At 31 December 2013** | | | | | | |
| Cost | 986 | 4,891 | 474 | 362 | 17,942 | 24,655 |
| Accumulated depreciation and impairment | (690) | (4,120) | (271) | – | – | (5,081) |
| Net book amount | 296 | 771 | 203 | 362 | 17,942 | 19,574 |
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | **296** | **771** | **203** | **362** | **17,942** | **19,574** |
| Additions | **–** | **46** | **123** | **4,334** | **5,972** | **10,475** |
| Depreciation *(Note 7)* | **(5,494)** | **(955)** | **(264)** | **(207)** | **–** | **(6,920)** |
| Acquisition of subsidiaries *(Note 32)* | **10,846** | **1,515** | **513** | **555** | **5,438** | **18,867** |
| Disposal of a subsidiary *(Note 33)* | **–** | **–** | **–** | **(3,182)** | **(22,629)** | **(25,811)** |
| Exchange realignment | **(179)** | **(29)** | **(9)** | **(4)** | **(192)** | **(413)** |
| Closing net book amount | **5,469** | **1,348** | **566** | **1,858** | **6,531** | **15,772** |
| **At 31 December 2014** | | | | | | |
| Cost | **11,648** | **6,397** | **1,100** | **2,065** | **6,531** | **27,741** |
| Accumulated depreciation and impairment | **(6,179)** | **(5,049)** | **(534)** | **(207)** | **–** | **(11,969)** |
| Net book amount | **5,469** | **1,348** | **566** | **1,858** | **6,531** | **15,772** |

## 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense for the year ended 31 December 2014 of approximately HK$533,000 (2013: Nil) and HK$6,387,000 (2013: HK$534,000) have been recognised as selling expenses and administrative expenses, respectively. Depreciation expense of approximately HK$812,000 has been recognised as direct costs and operating expenses for the year ended 31 December 2013.

The Group has not pledged any of its property, plant and equipment during the years ended 31 December 2014 and 2013 for any facilities granted to the Group.

## 15 GOODWILL

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | HK$'000 |
| Year ended 31 December | | |
| Net book amount at 1 January | **29,759** | 31,446 |
| Acquisition of subsidiaries *(Note 32)* | **160,877** | – |
| Provision for impairment *(Note)* | **(29,759)** | (1,744) |
| Exchange realignment | **–** | 57 |
| Net book amount at 31 December | **160,877** | 29,759 |
| At 31 December | | |
| Cost | **192,380** | 31,503 |
| Accumulated impairment | **(31,503)** | (1,744) |
| Net book amount | **160,877** | 29,759 |

*Note:* The Directors have performed an impairment review of the carrying amount of goodwill as at 31 December 2014 and have concluded that an impairment charge of approximately HK$29,759,000 arose in a trading CGU (2013: HK$1,744,000 from a manufacturing CGU) of the toys business of the Group, resulting in the carrying amount of the related goodwill being fully written off.

### Impairment tests for goodwill

For the purposes of impairment testing, goodwill acquired has been allocated to the smallest individual CGUs identified as at 31 December 2014. The recoverable amounts of each of the CGUs are determined based on value-in-use calculations. The calculation uses cash flow projections based on financial estimates made by the Directors, with reference to the prevailing market conditions, covering a period of 10 years (2013: 10 years) and assuming gross profit margins of 60% (2013: 2%-3%). Management assumes that the sales beyond the above-mentioned period will keep stable. The cash flow projections are discounted at a post-tax discount rate of 10% (2013: 20%) per annum.

The Group believes that, these will be synergistic effects on continued operations of the clubhouse business to realise its potential value to the Group as a whole, as the Group plans to take on new projects to further diversify its business operations, synergise its current and potential business segments and capture higher growth potentials.

## 16 OTHER INTANGIBLE ASSETS

| | Group<br>Cross-boundary vehicle licence | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | HK$'000 |
| **Year ended 31 December** | | |
| Net book amount at 1 January | **–** | – |
| Acquisition of subsidiaries *(Note 32)* | **1,568** | – |
| Net book amount at 31 December | **1,568** | – |
| **At 31 December** | | |
| Cost | **1,568** | – |
| Accumulated amortisation and impairment | **–** | – |
| Net book amount | **1,568** | – |

The cross-boundary vehicle license has a legal life of 1 year but is renewable every 1 year at minimal costs. The Directors are of the opinion that the Group would renew the cross-boundary vehicle license continuously and has the ability to do so. As a result, the cross-boundary vehicle license is considered by management of the Group as having an indefinite useful life and will not be amortised.

## 17 DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

(a) On 21 November 2014, the Company, Mr. Chung Sum Sang ("Mr. Chung") and Ms. Eva Au ("Ms. Au") entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star Global Limited ("Rainbow Star"), a company incorporated in the BVI, from Mr. Chung and Ms. Au at a maximum aggregate consideration of HK$217,000,000, out of which not more than HK$54,250,000 will be settled in cash and the remaining consideration of not more than HK$162,750,000 will be settled by the issue of convertible bonds by the Company in 3 equal tranches, with references to the profit guarantee for the three years ending 31 December 2015, 2016 and 2017.

Rainbow Star is an investment holding company, which will hold 70% indirect equity interest in 深圳市瑪莎嘉兒連鎖實業有限公司 (Shenzhen Marsa Guer Chain Enterprise Ltd.*, "Marsa Guer") upon completion of a restructuring pursuant to the sale and purchase agreement. Marsa Guer and its subsidiaries are principally engaged in the operation of beauty and wellness shops, medical licensed beauty center and the cooperation with clubhouses for the provision of beauty and wellness related services in Shenzhen, the PRC.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), on 21 November 2014 and 23 December 2014, deposits in the aggregate amount of HK$20,000,000 was paid to Mr. Chung and Ms. Au.

## 17 DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) On 16 December 2013, the Company, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, "Green Capital"), China Real Estates Investment Holdings Limited ("China Real Estates") and Mr. Tang Ho Ka ("Mr. Tang") entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Big Point Investment Limited ("Big Point"), a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 will be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK$76,620,000) will be settled by the issue of convertible bonds by the Company.

The principal terms of the convertible bonds are detailed in Note 27(c).

Big Point is an investment holding company, which holds 100% direct equity interest in 格林銀湖健康養生（深圳）有限公司 (Green Silver Lake Health & Wellness (Shenzhen) Co., Ltd*., "Green Silver Lake") (formerly known as Dijia Restaurant Management (Shenzhen) Co., Ltd. 迪嘉餐飲管理（深圳）有限公司）. Big Point and its subsidiaries are principally engaged in clubhouse business.

Pursuant to the terms of the sale and purchase agreement, on 26 December 2013, a deposit of RMB70,000,000 (equivalent to approximately HK$88,692,000) was paid to a designated nominee of China Real Estates. The acquisition was subsequently completed on 30 January 2014 (Note 32(a)), and the convertible bonds have been issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition.

## 18 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Investments, at cost: | | |
| Unlisted shares *(Note)* | **–** | – |

*Note:* As at 31 December 2014 and 2013, it represents investments in Sino Front Limited of HK$1, Cheerful Top Group Limited of US$1 (equivalent to approximately HK$8), Green Capital (Hong Kong) Limited of HK$1 and Asia Agricultural Products Exchange Group Limited of HK$51. The amount is not shown due to rounding.

Balances with subsidiaries are detailed in Note 35(d) to the consolidated financial statements.

## 18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2014 and 2013 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

| Company name | Places of incorporation/ establishment and kind of legal entity | Issued and fully paid-up share capital/paid-in capital | Equity interests attributable to the Company | | | | Principal activities and places of operations |
|---|---|---|---|---|---|---|---|
| | | | Direct | | Indirect | | |
| | | | **2014** | 2013 | **2014** | 2013 | |
| Sino Front Limited | Hong Kong, limited liability | HK$1 | **100%** | 100% | **–** | – | Trading of toys in Hong Kong |
| 格林致福投資咨詢(深圳)有限公司(formerly known as 致福玩具(深圳)有限公司) | The PRC, wholly-owned foreign enterprise | HK$1,000,000 | **–** | – | **100%** | 100% | Investment holding in the PRC |
| 東莞市金詡玩具有限公司 | The PRC, wholly-owned foreign enterprise | RMB500,000 | **–** | – | **100%** | 100% | Manufacturing of toys in the PRC |
| Green Capital (Hong Kong) Limited | Hong Kong, limited liability | HK$1 | **100%** | 100% | **–** | – | Investment holding in Hong Kong and the PRC |
| Cheerful Top Group Limited | British Virgin Islands, limited liability | US$1 | **100%** | 100% | **–** | – | Investment holding in Hong Kong |
| Tai Cheng International Limited | Hong Kong, limited liability | HK$10,000 | **–** | – | **55%** | 55% | Trading of toys in Hong Kong |
| 廣西靈山泰晴玩具有限公司 *(Note (a))* | The PRC, wholly-owned foreign enterprise | RMB19,830,000 | **–** | – | **–** | 55% | Design and manufacturing of toys in the PRC |
| 格林銀湖健康養生(深圳)有限公司(formerly known as 迪嘉餐飲管理(深圳)有限公司) *(Note (b))* | The PRC, wholly-owned foreign enterprise | RMB14,696,820 | **–** | – | **100%** | – | Operations of clubhouse business in the PRC |

*Note:*

(a) Disposed of on 26 September 2014 (Note 33).

(b) Acquired on 30 January 2014 (Note 32(a)).

## 18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities and places of operations of these subsidiaries are summarised as follows:

| **Principal activities and places of operations** | **Number of subsidiaries** | |
|---|---|---|
| | **2014** | 2013 |
| Operations of clubhouse business in the PRC | **1** | 0 |
| Investment holding in Hong Kong | **5** | 2 |
| | **6** | 2 |

As no subsidiary has material non-controlling interests, details of non-wholly owned subsidiaries of the Company are not disclosed.

## 19 INVENTORIES

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials and consumables | **696** | 1,271 |

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2014 amounted to approximately HK$139,595,000 (2013: HK$568,861,000) (Note 7).

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

| | **Group Loans and receivables** | **Company Loans and receivables** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Assets as per statement of financial position** | | |
| At 31 December 2014 | | |
| Trade and other receivables, excluding prepayments and trade deposits paid | **145,058** | **4,734** |
| Loan receivable | **19,000** | **–** |
| Amounts due from subsidiaries | **–** | **341,325** |
| Cash and cash equivalents | **131,205** | **89,384** |
| | **295,263** | **435,443** |
| At 31 December 2013 | | |
| Trade and other receivables, excluding prepayments and trade deposits paid | 284,248 | 723 |
| Amount due from a non-controlling shareholder of a subsidiary | 3,764 | – |
| Amounts due from subsidiaries | – | 125,657 |
| Cash and cash equivalents | 80,486 | 8,431 |
| | 368,498 | 134,811 |

## 20 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

| | Group | | Company |
|---|---|---|---|
| | **Financial liabilities at fair value** | **Financial liabilities at amortised cost** | **Financial liabilities at amortised cost** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Liabilities as per statement of financial position** | | | |
| At 31 December 2014 | | | |
| Convertible bonds | **–** | **8,584** | **8,584** |
| Contingent consideration payable | **273** | **–** | **–** |
| Trade and other payables, excluding trade and membership deposits received | **–** | **17,665** | **1,150** |
| | **–** | **26,249** | **9,734** |
| At 31 December 2013 | | | |
| Convertible bonds | – | 4,169 | 4,169 |
| Contingent consideration payable | 6,099 | – | – |
| Trade and other payables, excluding trade deposits received | – | 156,440 | 347 |
| Amount due to controlling shareholder | – | 122,591 | 10,000 |
| | 6,099 | 283,200 | 14,516 |

## 21 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **163,304** | 323,988 |
| Less: Provision for discount on past due balances | **(51,979)** | (41,378) |
| | **111,325** | 282,610 |

The Group's trade receivables are generally with credit periods of 90 days (2013: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise credit risk.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

## 21 TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivables approximate their fair values.

The ageing analysis of trade receivables as at 31 December 2014 and 2013 are as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **2,772** | 39,806 |
| 31 – 60 days | **44** | 38,278 |
| 61 – 90 days | **37** | 7,929 |
| 91 – 180 days | **2,626** | 3,088 |
| Over 180 days | **157,825** | 234,887 |
| | **163,304** | 323,988 |

Management assessed the credit quality of those trade receivables of approximately HK$2,853,000 (2013: HK$86,013,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recoverable.

As at 31 December 2014, trade receivables of approximately HK$160,451,000 (2013: HK$237,975,000) were past due but not impaired. These relate to several customers for whom there is settlement during the year. The ageing analysis of these trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| 91 – 180 days | **2,626** | 3,088 |
| Over 180 days | **157,825** | 234,887 |
| | **160,451** | 237,975 |

For the year ended 31 December 2014, the Group has made additional provision of approximately HK$10,601,000 (2013: HK$28,846,000) to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

## 21 TRADE RECEIVABLES *(Continued)*

Movement in the provision for discount on past due balances is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **41,378** | 12,532 |
| Charged to the consolidated statement of profit or loss | **10,601** | 28,846 |
| At 31 December | **51,979** | 41,378 |

Settlement of past due trade receivables for the year ended 31 December 2014 amounted to approximately HK$81,050,000 (2013: HK$57,005,000). Since there have been settlements from customers, the Directors believe that most of the remaining balances can be recovered in the future.

Trade receivables are denominated in the following currencies:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **1,900** | 255 |
| Renminbi | **7,136** | 24,568 |
| US dollars | **154,268** | 299,165 |
| | **163,304** | 323,988 |

## 22 LOAN RECEIVABLE

The loan receivable is denominated in Hong Kong dollars, unsecured, bears interest at 13% p.a., and repayable within one year. The carrying amount of the loan receivable approximate its fair value.

## 23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Prepayments | **4,489** | 621 | **143** | 607 |
| Deposit paid for establishment of an associated company *(Note)* | **25,110** | – | **–** | – |
| Trade deposits paid | **–** | 6,706 | **–** | – |
| Other deposits paid | **2,805** | 978 | **730** | 723 |
| Other receivables | **5,818** | 660 | **4,004** | – |
| | **38,222** | 8,965 | **4,877** | 1,330 |

*Note:* This deposit was paid for the establishment of an associated company. Subsequent to the end of the reporting period, Green Capital entered into a disposal agreement for the disposal of its interests in the associated company. The deposit will be returned upon completion of the disposal.

Prepayments, deposits and other receivables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **1,926** | 8,100 | **1,103** | 1,330 |
| Renminbi | **34,447** | 865 | **3,774** | – |
| US dollars | **1,818** | – | **–** | – |
| Euro | **31** | – | **–** | – |
| | **38,222** | 8,965 | **4,877** | 1,330 |

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

## 24 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Cash at banks and on hand | **131,205** | 80,486 | **89,384** | 8,431 |

## 24 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **91,869** | 44,459 | **89,384** | 8,431 |
| Renminbi | **36,799** | 32,640 | **–** | – |
| US dollars | **414** | 3,387 | **–** | – |
| Euro | **2,123** | – | **–** | – |
| | **131,205** | 80,486 | **89,384** | 8,431 |

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 25 SHARE CAPITAL

### Authorised capital

| | Number of shares | Nominal value *HK$'000* |
|---|---|---|
| At 1 January 2013, 31 December 2013 and 31 December 2014, ordinary shares of HK$0.01 each | 4,000,000,000 | 40,000 |

### Issued and fully paid capital

| | Number of shares | Nominal value *HK$'000* |
|---|---|---|
| At 1 January 2013 | 904,007,900 | 9,040 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note (a)(i))* | 126,800,000 | 1,268 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note (a)(ii))* | 54,000,000 | 540 |
| Issue of shares upon conversion of convertible bonds *(Note (a)(iii))* | 134,175,824 | 1,342 |
| At 31 December 2013 | **1,218,983,724** | **12,190** |
| Issue of shares upon exercise of share options *(Note (a)(iv))* | **1,000,000** | **10** |
| Issue of shares upon conversion of convertible bonds *(Note (a)(v))* | **51,080,000** | **511** |
| Issue of shares upon conversion of convertible bonds *(Note (a)(vi))* | **60,000,000** | **600** |
| Issue of shares upon completion of an open offer *(Note (a)(vii))* | **399,319,117** | **3,993** |
| Issue of shares upon exercise of share options *(Note (a)(viii))* | **7,000,000** | **70** |
| Issue of shares upon conversion of convertible bonds *(Note (a)(ix))* | **116,279,069** | **1,163** |
| At 31 December 2014 | **1,853,661,910** | **18,537** |

## 25 SHARE CAPITAL *(Continued)*

*Notes:*

(a) Issue of new shares

(i) Pursuant to a top-up placing and top-up subscription agreement entered into between the Company, Gold Bless and a placing agent dated 9 August 2013, Gold Bless placed 126,800,000 shares of the Company to 6 independent placees at a placing price of HK$0.205 per share on 19 August 2013, and the Company allotted and issued 126,800,000 new shares of the Company at HK$0.205 per share to Gold Bless on 21 August 2013. The net proceeds was approximately HK$25,418,000 and was used as working capital of the Group.

(ii) Pursuant to a top-up placing and top-up subscription agreement entered into between the Company, Gold Bless and a placing agent dated 20 November 2013, Gold Bless placed 54,000,000 shares of the Company to 6 independent placees at a placing price of HK$0.24 per share on 22 November 2013, and the Company allotted and issued 54,000,000 new shares of the Company at HK$0.24 per share to Gold Bless on 26 November 2013. The net proceeds was approximately HK$12,697,000 and was used as working capital of the Group.

(iii) On 7 November 2013, certain outstanding convertible bonds with an aggregate principal amount of HK$24,420,000 were converted into the shares of the Company at a conversion price of HK$0.182 per share (as adjusted to reflect the top-up placing and top-up subscription as detailed in (i) above) and, accordingly, the Company allotted and issued a total of 134,175,824 shares to the convertible bond holders (Note 27(a)).

(iv) On 16 January 2014, 1,000,000 outstanding share options were exercised at an exercise price of HK$0.37 per share and, accordingly, the Company allotted and issued a total of 1,000,000 shares to the grantee. The proceeds was used as working capital of the Group.

(v) On 18 February 2014, certain outstanding convertible bonds with an aggregate principal amount of HK$25,540,000 were converted into the shares of the Company at a conversion price of HK$0.50 per share and, accordingly, the Company allotted and issued a total of 51,080,000 shares to the convertible bond holders (Note 27(c)).

(vi) On 18 July 2014, certain outstanding convertible bonds with an aggregate principal amount of HK$30,000,000 were converted into the shares of the Company at a conversion price of HK$0.50 per share and, accordingly, the Company allotted and issued a total of 60,000,000 shares to the convertible bond holders (Note 27(d)).

(vii) On 19 August 2014, upon the completion of an open offer on the basis of 3 offer shares for every 10 shares, 399,319,117 shares of the Company were issued at a subscription price of HK$0.45 per share to the shareholders of the Company. The net proceeds was approximately HK$178,007,000 and was used for potential acquisitions and investments and as working capital of the Group.

(viii) On 29 August 2014, 7,000,000 outstanding share options were exercised at an exercise price of HK$0.32 per share (as adjusted to reflect the open offer as detailed in (vii) above) and, accordingly, the Company allotted and issued a total of 7,000,000 shares to the grantee. The proceeds was used as working capital of the Group.

## 25 SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

(a) Issue of new shares *(Continued)*

(ix) On 30 December 2014, certain outstanding convertible bonds with an aggregate principal amount of HK$50,000,000 were converted into the shares of the Company at a conversion price of HK$0.43 (as adjusted to reflect the open offer as detailed in (vii) above) per share and, accordingly, the Company allotted and issued a total of 116,279,069 shares to the convertible bond holders (Note 27(d)).

(b) Share option scheme

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK$0.21 per option. The significant inputs into the model were weighted average share price of HK$0.37 at the grant date, exercise price as shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

(ii) Pursuant to the terms and conditions as stipulated in the Share Option Scheme, any unexercised options will lapse 6 months after the grantee leaves the services of the Group by retirement. As a grantee (who was an employee of the Group) retired during the year 2013, all of his 2,000,000 unexercised share options were lapsed in August 2013.

(iii) During the year ended 31 December 2014, 2 grantees exercised a total of 8,000,000 share options (detailed in (a)(iv) and (a)(viii) above).

(iv) The exercise price of the share options has been adjusted from HK$0.37 per share to HK$0.32 per share with effect from 19 August 2014 as a result of an open offer completed on 19 August 2014.

## 25 SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

(b) Share option scheme *(Continued)*

(v) Movements in the share options are as follows:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Weighted average exercise price in HK$ per share** | **Number of share options** | Weighted average exercise price in HK$ per share | Number of share options |
| At 1 January | **0.37** | **63,800,000** | 0.37 | 65,800,000 |
| Exercised | **0.33** | **(8,000,000)** | – | – |
| Lapsed | **–** | **–** | 0.37 | (2,000,000) |
| At 31 December | **0.32** | **55,800,000** | 0.37 | 63,800,000 |

| | **2014** | 2013 |
|---|---|---|
| – Number of share options exercisable at year ended | **55,800,000** | 63,800,000 |
| – Range of exercise prices | **HK$0.32** | HK$0.37 |
| – Weighted average remaining contractual life | **7.35 years** | 8.35 years |

## 26 RESERVES

### (a) Group

| | Attributable to the equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share premium *HK$'000* | Share-based equity reserve *HK$'000* | Convertible bonds – equity component reserve *HK$'000* | Exchange reserve *HK$'000* | (Accumulated losses)/ Retained earnings *HK$'000* | Total *HK$'000* |
| At 1 January 2013 | 143,588 | 13,436 | 22,149 | (242) | 9,190 | 188,121 |
| Loss for the year | – | – | – | – | (48,947) | (48,947) |
| Other comprehensive income for the year | – | – | – | 6 | – | 6 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(i))* | 24,150 | – | – | – | – | 24,150 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(ii))* | 12,157 | – | – | – | – | 12,157 |
| Issue of shares on conversion of convertible bonds *(Note 25(a)(iii))* | 28,494 | – | (5,416) | – | – | 23,078 |
| Lapse of share options *(Note 25(b)(ii))* | – | (408) | – | – | 408 | – |
| Fair value change of contingent consideration payable *(Note 28)* | – | – | (6,896) | – | 6,896 | – |
| At 31 December 2013 | **208,389** | **13,028** | **9,837** | **(236)** | **(32,453)** | **198,565** |
| Loss for the year | **–** | **–** | **–** | **–** | **(99,147)** | **(99,147)** |
| Other comprehensive income for the year | **–** | **–** | **–** | **664** | **–** | **664** |
| Issue of shares upon exercise of share options *(Note 25(a)(iv))* | **564** | **(204)** | **–** | **–** | **–** | **360** |
| Acquisition of subsidiaries *(Note 32(a))* | **–** | **–** | **76,620** | **–** | **–** | **76,620** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(v))* | **25,029** | **–** | **(25,540)** | **–** | **–** | **(511)** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **12,725** | **–** | **–** | **12,725** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **7,436** | **–** | **–** | **7,436** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(vi))* | **30,421** | **–** | **(7,436)** | **–** | **–** | **22,985** |
| Issue of shares upon completion of an open offer *(Note 25(a)(vii))* | **174,014** | **–** | **–** | **–** | **–** | **174,014** |
| Issue of shares upon exercise of share options *(Note 25(a)(viii))* | **3,600** | **(1,430)** | **–** | **–** | **–** | **2,170** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(ix))* | **53,037** | **–** | **(12,725)** | **–** | **–** | **40,312** |
| Fair value change of contingent consideration payable *(Note 28)* | **–** | **–** | **(3,413)** | **–** | **3,413** | **–** |
| At 31 December 2014 | **495,054** | **11,394** | **57,504** | **428** | **(128,187)** | **436,193** |

## 26 RESERVES *(Continued)*

### (b) Company

| | Share premium *HK$'000* | Share-based equity reserve *HK$'000* | Convertible bonds – equity component reserve *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **At 1 January 2013** | 143,588 | 13,436 | 5,416 | (99,492) | 62,948 |
| Loss for the year | – | – | – | (16,584) | (16,584) |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(i))* | 24,150 | – | – | – | 24,150 |
| Issue of shares upon completion of a top-up placing and top-up subscription *(Note 25(a)(ii))* | 12,157 | – | – | – | 12,157 |
| Issue of convertible bonds *(Note 27(b))* | – | – | 2,963 | – | 2,963 |
| Issue of shares on conversion of convertible bonds *(Note 25(a)(iii))* | 28,494 | – | (5,416) | – | 23,078 |
| Lapse of share options *(Note 25(b)(ii))* | – | (408) | – | 408 | – |
| At 31 December 2013 | **208,389** | **13,028** | **2,963** | **(115,668)** | **108,712** |
| Loss for the year | **–** | **–** | **–** | **(20,668)** | **(20,668)** |
| Issue of shares upon exercise of share options *(Note 25(a)(iv))* | **564** | **(204)** | **–** | **–** | **360** |
| Acquisition of subsidiaries *(Note 32(a))* | **–** | **–** | **76,620** | **–** | **76,620** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(v))* | **25,029** | **–** | **(25,540)** | **–** | **(511)** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **12,725** | **–** | **12,725** |
| Issue of convertible bonds *(Note 27(d))* | **–** | **–** | **7,436** | **–** | **7,436** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(vi))* | **30,421** | **–** | **(7,436)** | **–** | **22,985** |
| Issue of shares upon completion of an open offer *(Note 25(a)(vii))* | **174,014** | **–** | **–** | **–** | **174,014** |
| Issue of shares upon exercise of share options *(Note 25(a)(viii))* | **3,600** | **(1,430)** | **–** | **–** | **2,170** |
| Issue of convertible bonds *(Note 27(e))* | **–** | **–** | **3,160** | **–** | **3,160** |
| Issue of shares upon conversion of convertible bonds *(Note 25(a)(ix))* | **53,037** | **–** | **(12,725)** | **–** | **40,312** |
| At 31 December 2014 | **495,054** | **11,394** | **57,203** | **(136,336)** | **427,315** |

## 27 CONVERTIBLE BONDS

The liability component of the convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

| | Group and Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2011 CB** *HK$'000* *(Note (a))* | **1st Tai Cheng CB** *HK$'000* *(Note (b))* | **Big Point CB** *HK$'000* *(Note (c))* | **Shanghai Zhenrong CB** *HK$'000* *(Note (d))* | **Ms. You CB** *HK$'000* *(Note (d))* | **2nd Tai Cheng CB** *HK$'000* *(Note (e))* | **Total** *HK$'000* |
| At 1 January 2013 | 22,143 | – | – | – | – | – | 22,143 |
| Right of conversion exercised by bond holders | (24,420) | – | – | – | – | – | (24,420) |
| Issue of convertible bonds | – | 4,075 | – | – | – | – | 4,075 |
| Interest expenses *(Note 8)* | 3,498 | 94 | – | – | – | – | 3,592 |
| Interest paid | (1,221) | – | – | – | – | – | (1,221) |
| At 31 December 2013 | **–** | **4,169** | **–** | **–** | **–** | **–** | **4,169** |
| Issue of convertible bonds | **–** | **–** | **76,620** | **50,000** | **30,000** | **3,714** | **160,334** |
| Direct issue costs | **–** | **–** | **–** | **(140)** | **(84)** | **–** | **(224)** |
| Equity component on initial recognition | **–** | **–** | **(76,620)** | **(12,725)** | **(7,436)** | **–** | **(96,781)** |
| Right of conversion exercised by bondholders | **–** | **–** | **–** | **(41,475)** | **(23,585)** | **–** | **(65,060)** |
| Interest expenses (Note 8) | **–** | **612** | **–** | **4,340** | **1,105** | **89** | **6,146** |
| At 31 December 2014 | **–** | **4,781** | **–** | **–** | **–** | **3,803** | **8,584** |

The fair value of the liability component of the convertible bonds at 31 December 2014 amounted to approximately HK$10,550,000 (2013: HK$5,369,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2013: 5%).

The values of the liability component and the equity component were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in equity within other reserves.

There were outstanding convertible bonds in the aggregate principal amount of approximately HK$62,872,000 which were convertible into 146,213,434 shares of the Company as at 31 December 2014.

## 27 CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2014 and 2013 were as follows:

(a) On 7 November 2011, the Company placed, through a placing agent, convertible bonds in the aggregate principal amount of HK$85,100,000 (the "2011 CB") of which HK$63,825,000 in aggregate principal amount were placed to Gold Bless and the remaining balance of HK$21,275,000 were subscribed by independent holders. The 2011 CB was denominated in Hong Kong dollars, unsecured, borne interest at 5% per annum which was payable on a quarterly basis and was matured on 7 November 2013. The 2011 CB was convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.185 per share which was subsequently adjusted to HK$0.182 per share with effect from 21 August 2013 as a result of the completion of a top-up placing and top-up subscription on 21 August 2013 (Note 25(a)(i)). The effective interest rate of the 2011 CB was 23.24% per annum. The proceeds were used for the group restructuring completed on 7 November 2011 and as working capital of the Group.

The 2011 CB with an aggregate principal amount of HK$60,680,000 were converted into 328,000,000 shares of the Company in 2011 and 2012. The remaining 2011 CB in the principal amount of HK$24,420,000 were converted into 134,175,824 shares of the Company on the maturity date (Note 25(a)(iii)).

(b) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited ("Tai Cheng") (Note 28), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK$6,163,639 (the "1st Tai Cheng CB") to Hong Kong Tai Shing Toys Trading Limited ("Tai Shing"). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The 1st Tai Cheng CB is convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.50 per share (subject to adjustments). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

Due to the completion of an open offer on 19 August 2014 (Note 25(a)(vii)), the conversion price of the 1st Tai Cheng CB was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014.

## 27 CONVERTIBLE BONDS *(Continued)*

(c) Pursuant to the sale and purchase agreement to the acquisition of Big Point (Note 32(a)), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK$76,620,000 (the "Big Point CB") to China Real Estates Investment Holdings Limited ("China Real Estates") as partial satisfaction of the consideration. The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017. In respect of the conversion by the bondholder, (a) for the principal amount of HK$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK$0.50 per share (subject to adjustments).

Certain Big Point CB in the principal amount of HK$25,540,000 were converted into 51,080,000 shares of the Company on 18 February 2014 (Note 25(a)(v)).

Due to the completion of an open offer on 19 August 2014 (Note 25(a)(vii)), the conversion price of the Big Point CB was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014.

Subsequent to the end of the reporting period, certain Big Point CB in the principal amount of HK$25,000,000 were converted into 58,139,534 shares of the Company on 30 January 2015.

(d) On 14 January 2014, the Company entered into two separate subscription agreements with two subscribers respectively in relation to the issue of convertible bonds in an aggregate principal amount of HK$80,000,000. The first subscriber, Shanghai Zhenrong Petroleum Co., Ltd ("Shanghai Zhenrong"), subscribed for the convertible bonds in the principal amount of HK$50,000,000 (the "Shanghai Zhenrong CB") and the second subscriber, Ms. You Xia ("Ms. You"), subscribed for the convertible bonds in the principal amount of HK$30,000,000 (the "Ms. You CB"). The Shanghai Zhenrong CB and the Ms. You CB are denominated in Hong Kong dollars, unsecured, bear interest at 5% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.50 per share (subject to adjustments). The effective interest rates of the Shanghai Zhenrong CB and the Ms. You CB were 15.59% and 15.24% per annum respectively. The proceeds is intended to be used for partial repayment of amount due to the controlling shareholder, operations of the clubhouse business acquired on 30 January 2014 (Note 32(a)) and as working capital of the Group.

The Shanghai Zhenrong CB and the Ms. You CB were issued respectively to a nominee of Shanghai Zhenrong and Ms. You on 28 March 2014 and 18 March 2014.

## 27 CONVERTIBLE BONDS *(Continued)*

(d) *(Continued)*

The Ms. You CB in the principal amount of HK$30,000,000 were converted into 60,000,000 shares of the Company on 18 July 2014 (Note 25(a)(vi)).

Due to the completion of an open offer on 19 August 2014 (Note 25(a)(vii)), the conversion price of the Shanghai Zhenrong CB was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014.

The Shanghai Zhenrong CB in the principal amount of HK$50,000,000 were converted into 116,279,069 shares of the Company on 30 December 2014 (Note 25(a)(ix)).

(e) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 28), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in an aggregate principal amount of HK$5,628,138 (the "2nd Tai Cheng CB") to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The 2nd Tai Cheng CB is convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.43 per share (subject to adjustments). The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

## 28 CONTINGENT CONSIDERATION PAYABLE

On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable in aggregate not exceeding HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK$10,000,000. The benchmark profit is HK$12,000,000, HK$13,000,000 and HK$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

The Tai Cheng CB, if issued, will be denominated in Hong Kong dollars, unsecured, interest free, will mature on the date falling on the third anniversary of the date of issue and will be convertible into the shares of the Company at an initial conversion price of HK$0.50 per share (subject to adjustments). Due to the completion of an open offer on 19 August 2014 (Note 25(a)(vii)), the conversion price of the Tai Cheng CB was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014.

The Company issued the first and second tranches of the Tai Cheng CB on 29 October 2013 and 13 October 2014 in the respective aggregate principal amounts of HK$6,163,639 and HK$5,628,138 (Note 27(b) and 27(e)).

A liability component and an equity component were classified at initial recognition of the contingent consideration payable.

## 28 CONTINGENT CONSIDERATION PAYABLE *(Continued)*

The fair value of the liability component of the contingent consideration payable was initially recognised at the date of acquisition at approximately HK$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. This liability component was subsequently measured as at 31 December 2014 at fair value of approximately HK$273,000 (31 December 2013: HK$6,099,000), with decrease in fair value of approximately HK$2,112,000 (2013: HK$4,587,000) recognised within finance costs/income, net (Note 8) in the consolidated statement of profit or loss.

The liability component of the contingent consideration payable recognised in the consolidated statement of financial position was calculated as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | HK$'000 |
| At 1 January | **6,099** | 14,761 |
| Fair value changes *(Note 8)* | **(2,112)** | (4,587) |
| Issue of the 1st Tai Cheng CB *(Note 27(b))* | **–** | (4,075) |
| Issue of the 2nd Tai Cheng CB *(Note 27(e))* | **(3,714)** | – |
| At 31 December | **273** | 6,099 |

The equity component of the contingent consideration payable, which represents the value of the equity conversion option, was initially recognised in the amount of approximately HK$16,733,000. As at 31 December 2014, the equity component of the contingent consideration payable amounting to approximately HK$301,000 (31 December 2013: HK$6,873,000) is included in equity within other reserves.

## 29 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2014 and 2013 are as follows:

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | HK$'000 |
| 0 – 30 days | **430** | 49,443 |
| 31 – 60 days | **303** | 72,692 |
| 61 – 90 days | **17** | 7,120 |
| 91 days – 1 year | **52** | 1,372 |
| Over 1 year | **2,830** | 14,329 |
| | **3,632** | 144,956 |

## 29 TRADE PAYABLES *(Continued)*

Trade payables are denominated in the following currencies:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | HK$'000 |
| Hong Kong dollars | **–** | 128,790 |
| Renminbi | **3,580** | 465 |
| US dollars | **52** | 15,701 |
| | **3,632** | 144,956 |

The carrying amounts of trade payables approximate their fair values.

## 30 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Accruals | **3,150** | 9,080 | **1,150** | 347 |
| Trade deposits received | – | 6,848 | **–** | – |
| Membership deposits received | **11,233** | – | **–** | – |
| Other payables | **10,883** | 2,404 | **–** | – |
| | **25,266** | 18,332 | **1,150** | 347 |

Other payables, accruals and deposits received are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **1,423** | 4,813 | **1,150** | 347 |
| Renminbi | **23,843** | 6,672 | **–** | – |
| US dollars | **–** | 6,847 | **–** | – |
| | **25,266** | 18,332 | **1,150** | 347 |

The carrying amounts of other payables, accruals and deposits received approximate their fair values.

## 31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Cash used in/generated from operations

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Loss before income tax | | **(98,057)** | (44,291) |
| Adjustment for: | | | |
| – Depreciation of property, plant and equipment | 7 &14 | **6,920** | 1,346 |
| – Provision for impairment of property, plant and equipment | 14 | **–** | 1,128 |
| – Provision for impairment of goodwill | 15 | **29,759** | 1,744 |
| – Discount on past due balances of trade receivables | 21 | **10,601** | 28,846 |
| – Gain on disposal of a subsidiary | 33 | **(261)** | – |
| – Finance costs/(income), net | 8 | **4,255** | (225) |
| | | **(46,783)** | (11,452) |
| Changes in working capital: | | | |
| – Inventories | | **330** | 2,633 |
| – Trade receivables | | **160,577** | (10,053) |
| – Prepayments, deposits and other receivables | | **(27,564)** | 7,659 |
| – Trade payables | | **(141,866)** | 68,977 |
| – Other payables, accruals and deposits received | | **(8,880)** | (13,058) |
| – Amount due from/to a non-controlling shareholder of a subsidiary | | **3,764** | (3,979) |
| Cash (used in)/generated from operations | | **(60,422)** | 40,727 |

### Significant non-cash transactions

In addition to the acquisition and disposal of subsidiaries (Note 32 and 33), the Group has the following material non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) conversion of convertible bonds as disclosed in Note 25(a)(iii), 25(a)(v), 25(a)(vi) and 25(a)(ix); and

(b) issue of convertible bonds as disclosed in Note 27(b) and 27(e).

## 32 ACQUISITION OF SUBSIDIARIES

(a) On 16 December 2013, the Company, Green Capital, China Real Estates and Mr. Tang entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Big Point, a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 will be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK$76,620,000) will be settled by the issue of the Big Point CB (Note 27(c)).

Big Point is an investment holding company, which holds 100% direct equity interest in 格林銀湖健康養生（深圳）有限公司 (Green Silver Lake) (formerly known as Dijia Restaurant Management (Shenzhen) Co., Ltd. 迪嘉餐飲管理（深圳）有限公司). Green Silver Lake is the major operating subsidiary of Big Point. Big Point and its subsidiaries (the "Big Point Group") are principally engaged in clubhouse business. In order to seek for more business opportunities and to maximise return to the Company and its shareholders in the long run, the Directors considered that the acquisition was in the interest of the Company and its shareholders to explore the possibility of diversification of the business of the Group.

## 32 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Pursuant to the terms of the sale and purchase agreement, on 26 December 2013, a deposit of RMB70,000,000 (equivalent to approximately HK$88,692,000) was paid to a designated nominee of China Real Estates. The acquisition was subsequently completed on 30 January 2014, and the Big Point CB was issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition.

On completion of the acquisition, Mr. Tang and 深圳市寶渝貿易有限公司 (Shenzhen Baoyu Trading Co., Ltd.*, a company controlled by Mr. Tang's spouse) assigned the indebtedness owed by Dijia Restaurant to them in the respective amounts of approximately RMB19,234,000 and RMB12,582,000 (collectively equivalent to approximately HK$40,788,000) to a subsidiary of the Company at nominal considerations of RMB1 each. Also, subsequent to the completion of the acquisition, on 28 February 2014, Mr. Tang assigned the indebtedness owed by Dijia Restaurant to him in the amount of approximately RMB1,283,000 (equivalent to approximately HK$1,625,000) to a subsidiary of the Company at a nominal consideration of RMB1.

Revenue and net loss of approximately HK$17,205,000 and HK$27,391,000, respectively, from the Big Point Group were contributed to the Group for the period from 30 January 2014 to 31 December 2014.

(b) On 7 October 2014, Green Capital, Ms. Tan Li ("Ms. Tan", the spouse of Dr. Yang Wang Jian ("Dr. Yang"), an executive Director and chairman of the Board) and Mr. Siu Che On ("Mr. Siu", a son-in-law of Dr. Yang) entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Hung Cheong Paper Products Factory Limited ("Hung Cheong"), a company incorporated in Hong Kong, from Ms. Tan and Mr. Siu at a cash consideration of HK$2,000,000.

Hung Cheong is an investment holding company, its major assets being a cross-boundary vehicle licence and a motor vehicle.

Pursuant to the terms of the sale and purchase agreement, the acquisition was subsequently completed on 31 October 2014.

No revenue was contributed by Hung Cheong to the Group since its acquisition. Net loss of approximately HK$33,000 from Hung Cheong was contributed to the Group for the period from 31 October 2014 to 31 December 2014.

(c) On 31 October 2014, Green Capital purchased the 100% equity interests of Marsa Investment Holdings Limited ("Marsa Investment"), a company incorporated in Hong Kong, from Dr. Yang and Ms. Au at a cash consideration of HK$10,000. Marsa Investment was owned as to 25% and 75% by Dr. Yang and Ms. Au respectively immediately before the acquisition.

Marsa Investment is a dormant company and has not yet commenced business.

No revenue or results was contributed by Marsa Investment to the Group since its acquisition.

## 32 ACQUISITION OF SUBSIDIARIES *(Continued)*

The following table summarises the considerations for the above acquisitions, and the fair values of the assets acquired and liabilities assumed recognised on the acquisition date.

| | Fair values recognised on acquisition | | | |
|---|---|---|---|---|
| | Big Point Group<br>*HK$'000* | Hung Cheong<br>*HK$'000* | Marsa Investment<br>*HK$'000* | Total<br>*HK$'000* |
| **Purchase consideration** | | | | |
| – Cash paid | – | 2,000 | 10 | 2,010 |
| – Cash deposit paid in prior year | 88,692 | – | – | 88,692 |
| – Big Point CB issued | 76,620 | – | – | 76,620 |
| – Indebtedness assigned to the Group | (42,413) | – | – | (42,413) |
| Total purchase consideration | 122,899 | 2,000 | 10 | 124,909 |
| **Identifiable assets acquired and liabilities assumed on acquisition date** | | | | |
| Property, plant and equipment *(Note 14)* | 18,436 | 431 | – | 18,867 |
| Other intangible assets *(Note 16)* | – | 1,568 | – | 1,568 |
| Inventories | 1,042 | – | – | 1,042 |
| Trade receivables | 208 | – | – | 208 |
| Prepayment, deposits and other receivables | 2,765 | – | – | 2,765 |
| Amount due from a fellow subsidiary | – | – | 10 | 10 |
| Cash and cash equivalents | 906 | 14 | – | 920 |
| Trade payables | (3,009) | – | – | (3,009) |
| Other payables, accruals and deposits received | (17,569) | (13) | – | (17,582) |
| Amount due to a fellow subsidiary | (40,788) | – | – | (40,788) |
| Total identifiable (net liabilities assumed)/ net assets acquired | (38,009) | 2,000 | 10 | (35,999) |
| Non-controlling interests | 31 | – | – | 31 |
| Goodwill *(Note 15)* | 160,877 | – | – | 160,877 |
| | 122,899 | 2,000 | 10 | 124,909 |

## 32 ACQUISITION OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow/outflow of cash and cash equivalents in the current year in respect of the above acquisitions is as follows:

| | Big Point Group *HK$'000* | Hung Cheong *HK$'000* | Marsa Investment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Cash and cash equivalents acquired | 906 | 14 | – | 920 |
| Less: Consideration satisfied by cash in the current year | – | (2,000) | (10) | (2,010) |
| Net cash inflow/(outflow) on acquisition of subsidiaries in the current year | 906 | (1,986) | (10) | (1,090) |

## 33 DISPOSAL OF A SUBSIDIARY

On 1 September 2014, Tai Cheng and Tai Heng International Limited ("Tai Heng") entered into a sale and purchase agreement, pursuant to which Tai Cheng has conditionally agreed to dispose of 100% equity interest in 廣西靈山泰晴玩具有限公司 (Guangxi Lingshan Tai Cheng Toys Co, Ltd*, "Guangxi Tai Cheng") to Tai Heng at a cash consideration of HK$27,000,000. Guangxi Tai Cheng is a company established in the PRC and principally engaged in the design and manufacturing of toys in the PRC.

The disposal was subsequently completed on 26 September 2014.

## 33 DISPOSAL OF A SUBSIDIARY *(Continued)*

The following table summarises the consideration for the disposal and the net assets disposed of on the disposal date.

| | *HK$'000* |
|---|---|
| **Assets disposed of and liabilities transferred** | |
| Property, plant and equipment *(Note 14)* | **25,811** |
| Inventories | **1,287** |
| Trade receivables | **315** |
| Prepayment, deposits and other receivables | **1,312** |
| Cash and cash equivalents | **603** |
| Trade payables | **(2,467)** |
| Other payables, accruals and deposits received | **(143)** |
| Net assets disposed of | **26,718** |
| Cumulative exchange differences reclassified from equity to profit or loss on disposal of the subsidiary | **21** |
| Gain on disposal of a subsidiary *(Note 6)* | **261** |
| | **27,000** |
| **Satisfied by** | |
| Cash | **27,000** |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

| | *HK$'000* |
|---|---|
| Cash consideration received | **27,000** |
| Less: Cash and cash equivalents disposed of | **(603)** |
| Net cash inflow on disposal of a subsidiary | **26,397** |

## 34 COMMITMENTS

### (a) Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Authorised but not contracted for: | | | | |
| – Construction of property, plant and equipment | **27,375** | – | **–** | – |
| Contracted but not provided for: | | | | |
| – Construction of property, plant and equipment | **–** | 1,053 | **–** | – |
| – Acquisition of subsidiaries *(Note 17)* | **34,250** | – | **34,250** | – |
| | **61,625** | 1,053 | **34,250** | – |

Save as disclosed as above, on 16 December 2014, Green Capital and Hong Kong E&R-PRO Company Limited entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of a minimum of 51% and a maximum of 100% of equity interest in Hong Kong E&R-PRO Assets Management Limited ("E&R-PRO Assets Management"). E&R PRO Assets Management is a company incorporated in Hong Kong with limited liability and will be principally engaged in the trading of commodities including oil products, petrochemicals and metals. The consideration and its terms of payment was yet to be determined as at the date of this report.

### (b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Not later than 1 year | **9,863** | 4,600 | **1,362** | 2,515 |
| Later than 1 year but not later than 5 years | **46,392** | 2,018 | **–** | 1,362 |
| | **56,255** | 6,618 | **1,362** | 3,877 |

None of the leases include contingent rentals.

## 35 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Key management compensation

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Wages, salaries and other short-term employee benefits | **3,712** | 3,342 |
| Pension costs – defined contribution plans | **68** | 59 |
| | **3,780** | 3,401 |

### (b) Transactions

Save as the acquisitions of subsidiaries from Dr. Yang, Ms. Tan and Mr. Siu as disclosed in Note 32(b) and 32(c), material transactions carried out between the Group and Dr. Yang and related companies beneficially owned by Dr. Yang are summarised as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Consultancy fee paid | **–** | 651 |
| Interest paid | **527** | 655 |
| Rentals paid | **699** | 979 |

### (c) Balances with controlling shareholder

The amounts due to Dr. Yang are unsecured and with other terms as follows:

| | | | Group | | Company | |
|---|---|---|---|---|---|---|
| **Annual interest rate** | **Maturity** | **Currency denominated in** | **2014** ***HK$'000*** | 2013 *HK$'000* | **2014** ***HK$'000*** | 2013 *HK$'000* |
| 4.50% | Feb 2014 | HK$ | **–** | 10,000 | **–** | 10,000 |
| 4.50% | May 2014 | HK$ | **–** | 3,300 | **–** | – |
| 4.50% | June 2014 | HK$ | **–** | 3,300 | **–** | – |
| 4.50% | July 2014 | HK$ | **–** | 3,300 | **–** | – |
| Interest-free | Dec 2014 | HK$ | **–** | 14,000 | **–** | – |
| Interest-free | Dec 2014 | RMB | **–** | 88,691 | **–** | – |
| | | | **–** | 122,591 | **–** | 10,000 |

### (d) Balances with subsidiaries

The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

## 36 CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 December 2014 and 2013.

## 37 SUBSEQUENT EVENTS

(a) On 29 December 2014, the Company entered into a placing agreement with ASA Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the convertible bonds up to a total principal amount of HK$114,000,000 convertible into, at HK$0.45 per share (subject to adjustments), 253,333,333 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The placing agreement was subsequently terminated by the Company and the Placing Agent on 9 February 2015.

On 9 February 2015, the Company entered into another placing agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the convertible bonds up to a total principal amount of HK$83,800,000 convertible into, at HK$0.33 per share (subject to adjustments), 253,939,393 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.33 per share (subject to adjustments). The proceeds is intended to be used for possible acquisitions and as working capital of the Group.

The placing was subsequently completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK$29,000,000 was successfully placed by the Placing Agent to three placees who are third parties independent of the Company and its connected persons. The net proceeds from the placing is approximately HK$28,100,000 (after deduction of 3% commission payable to the Placing Agent and other direct expenses).

(b) On 30 January 2015, certain Big Point CB (Note 27(c)) in the principal amount of HK$25,000,000 were converted into 58,139,534 shares of the Company.

## 38 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

* *for identification purposes only*

# 5 Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The financial statements for the years ended 31 December 2010 and 2011 had been disclaimed by the auditors of the Company. Details of the disclaimer of opinions of the auditors have been set out in the annual reports for the years 2010 and 2011 of the Company, respectively.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 | 2010 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **RESULTS** | | | | | |
| REVENUE | **160,940** | 583,057 | 441,551 | 572,267 | 358,441 |
| Costs of sales | **(147,899)** | (572,393) | (363,017) | (498,999) | (324,333) |
| Gross profit | **13,041** | 10,664 | 78,534 | 73,268 | 34,108 |
| Other income and gains | **1,021** | 531 | 994 | 2,979 | 6,237 |
| Gain on group restructuring | **–** | – | – | 300,248 | – |
| Selling expenses | **(25,877)** | (1,215) | (1,385) | (5,553) | (1,430) |
| Administrative expenses | **(41,627)** | (22,778) | (31,935) | (25,067) | (10,658) |
| Provision for impairment of property, plant and equipment | **–** | (1,128) | – | – | – |
| Provision for impairment of goodwill | **(29,759)** | (1,744) | – | – | – |
| Discount on past due balances of trade receivables | **(10,601)** | (28,846) | (4,369) | (8,163) | – |
| Provision for financial guarantees to an unconsolidated subsidiary | **–** | – | – | (16,710) | (17,373) |
| Write back of provision for legal claims | **–** | – | – | – | 5,368 |
| Write back of provision for amount due from a former subsidiary | **–** | – | – | – | 11,066 |
| Finance (costs)/income, net | **(4,255)** | 225 | (7,790) | (5,529) | (3,597) |
| (LOSS)/PROFIT BEFORE INCOME TAX | **(98,057)** | (44,291) | 34,049 | 315,473 | 23,721 |
| Income tax expense | **(728)** | (1,444) | (12,145) | (10,203) | (4,782) |
| (LOSS)/PROFIT FOR THE YEAR | **(98,785)** | (45,735) | 21,904 | 305,270 | 18,939 |
| (Loss)/Profit for the year attributable to: | | | | | |
| Equity holders of the Company | **(99,147)** | (48,947) | 18,769 | 305,270 | 18,939 |
| Non-controlling interests | **362** | 3,212 | 3,135 | – | – |
| | **(98,785)** | (45,735) | 21,904 | 305,270 | 18,939 |

# 5 Years' Financial Summary

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 | 2010 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | | | |
| TOTAL ASSETS | **499,372** | 516,392 | 394,429 | 483,517 | 246,216 |
| TOTAL LIABILITIES | **(37,766)** | (299,057) | (194,052) | (378,580) | (560,236) |
| Non-controlling interests | **(6,876)** | (6,580) | (3,216) | – | – |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | **454,730** | 210,755 | 197,161 | 104,937 | (314,020) |