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

# Annual Report 2015

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

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# 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
Ms. Eva Au

## 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
Prof. Zhu Yi Zhun

## 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

Mr. Chau Kin Cheung Alfred

## 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

OCBC Wing Hang Bank Limited
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$0.216
Market capitalisation as at the date of this annual report: approximately HK$426,000,000

# 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 2015.

2015 was still a relatively difficult year for the Group. Although a profit was recorded from the newly acquired the beauty and wellness business, a loss was still recorded from the clubhouse business due to relatively large operating costs. Besides, there were provision for impairment on the Group's goodwill and fixed assets in relation to the clubhouse business due to continued recorded operating losses. As such, the Group's loss in 2015 increased as compared to 2014.

The Group expects that 2016 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. The Group has completed the acquisition of a beauty and wellness business in May 2015, which contributed a profit to the Group in 2015. Besides, the Group is undergoing assessment for rebranding and repositioning of the clubhouse business with cooperation from the Faculty of Chinese Medicine of Macau University of Science and Technology. Management is under feasibility study to redevelop the principal business of the clubhouse, with a development aim of becoming a Chinese medicine therapy and healthcare center, including but not limited to renovating and expanding the scope of the clubhouse business into provision of accommodative therapy and healthcare apartments, Chinese medicine therapy, and research and development, testing, body checking and blood purification in relation to pleiotropic immune cytokine and anti-aging cells, into a grand healthcare business.

The Group also entered into memorandums of understanding with 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 2016 onwards, 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 2016

# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECTS

Following the acquisition of the beauty and wellness business in May 2015 (detailed in Note 31(a) to the consolidated financial statements), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

Total revenue of approximately HK$45,620,000 was recorded by the Group during the year ended 31 December 2015, as compared to approximately HK$160,940,000 for the same period in 2014.

Revenue arising from different business segments are as follows:

(a) approximately HK$7,683,000 from the toys business segment (2014: HK$143,735,000);

(b) approximately HK$16,269,000 from the clubhouse business segment (2014: HK$17,205,000); and

(c) approximately HK$21,668,000 from the beauty and wellness business segment (acquired in May 2015).

The decrease in revenue was mainly due to reallocation of resources by the Board from the toys business segment, in order to align the Group's businesses and resources with the Group's current major development objective of 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. Besides, due to the increasingly competitive market, it has become more difficult and costly to solicit orders from the toys business segment. The Group's gross profit was approximately HK$27,025,000 in 2015, as compared to approximately HK$13,041,000 in 2014, representing an increase of approximately HK$13,984,000; the gross profit margin has increased from 8.1% in 2014 to 59.2% in 2015. This is mainly attributable to the higher gross profit margin from clubhouse business and the beauty and wellness business (acquired by the Group in May 2015), and decrease in contribution from the toys business segment, which has a lower gross profit margin.

The loss for the year attributable to the equity holders of the Company amounted to approximately HK$205,103,000 in 2015 whilst a loss of approximately HK$99,147,000 was recorded in 2014. Excluding the effects of non-cash income and expenses (including gain on bargain purchase on acquisition of subsidiaries, fair value change of derivative financial instruments, provision for impairment of property, plant and equipment and goodwill, and provision for discount on past due balances of trade receivables, etc), the operating loss for the year ended 31 December 2015 amounted to approximately HK$37,131,000, which is close to the operating loss of the same period in 2014 of approximately HK$34,863,000 (as adjusted by excluding non-cash income and expenses).

Due to the decrease in revenue as mentioned above, the operating loss from the toys business segment has increased from approximately HK$7,602,000 (excluding non-cash expenses of provision for impairment of goodwill and provision for discount on past due balances of trade receivables) in 2014 to approximately HK$16,718,000 in 2015.

Revenue from the clubhouse business decreased slightly from approximately HK$17,205,000 in 2014 to approximately HK$16,269,000 in 2015 while operating loss decreased from approximately HK$27,261,000 in 2014 to approximately HK$26,660,000 in 2015. The Group is undergoing assessment for rebranding and repositioning of the clubhouse, including but not limited to expansion of the scope of services of the current clubhouse to become a grand healthcare business. The Directors are, subject to results of feasibility studies, prudently optimistic of the prospects of a grand healthcare business with a focus on specialized and high-end healthcare services.

While the Board assessed the valuation of the clubhouse business with reference to the price-to-revenue multiples at the time of the acquisition, for the purpose of the goodwill impairment reviews during the year ended 31 December 2015, the Company has engaged Peak Vision Appraisals Limited ("Peak Vision"), an independent valuer, to perform valuation on the clubhouse business. When estimating the value in use of the cash generating unit (the "CGU") of the clubhouse business, Peak Vision considered that the estimation of value in use conforms with the income approach which focuses on the economic benefits generated by the income producing capability and income approach is therefore adopted for the valuation of the clubhouse business.

Due to the clamp down by the PRC government on money laundering and the push for frugality, the actual performance of the clubhouse business were adversely affected as compared to the performance as anticipated by the Board at the time of the acquisition. The management has projected the CGU to record net losses into the foreseeable future given the loss making trend from the clubhouse business for both the years ended 31 December 2014 and 2015, the uncertainty in the prospect of the clubhouse business under the unfavorable environment, the failure of the clubhouse's management personnel to bring in the potential new members of the clubhouse and the slowdown in the economic growth in the PRC in particular after the Chinese stock market crash since third quarter of 2015. Based on the assessment conducted by Peak Vision, the value in use of the CGU was zero as at 31 December 2015, which was determined based on the cash flow projections where CGU was projected to record net losses into the foreseeable future, and a pre-tax discount rate of 14.62% per annum. As the recoverable amount of the clubhouse business was found to be nil and less than its carrying amount, provision for impairment of approximately HK$160,877,000 and HK$10,240,000, respectively, were provided on the goodwill and fixed assets of the clubhouse business segment. The Directors would like to emphasis that the abovementioned provisions are non-cash in nature and have no cash flow impact to the Group.

The Group has completed the acquisition of the beauty and wellness business in May 2015, which is principally engaged in the provision of beauty and wellness related services in Shenzhen. This business segment contributed an operating profit of approximately HK$6,247,000 since its acquisition. As this business segment is still in expansion stage with more cooperation with different clubhouses in Shenzhen is coming, together with the brand name of Marsa at Shenzhen, the Directors are prudently optimistic of the contribution to the Group's results by this business segment in the future.

The Board is adopting approaches in order to sustain the Group for the long term development and will take appropriate strategic measures to reshape the Group's different business segments and reallocate resources to them when necessary. 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 the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. The Board will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

In this regard, the Group has entered into a memorandum of understanding with an intention to acquire new assets/businesses/companies, details of which are described in the section headed "Significant Acquisition and Disposal of Assets" below.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group held cash and cash equivalents of approximately HK$53,129,000 (2014: HK$131,205,000). Net current assets amounted to approximately HK$196,249,000 (2014: HK$272,246,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 4.01 times (2014: 10.42 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 35.5% (2014: 7.6%). As at 31 December 2015, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK$59,856,000 (2014: HK$8,584,000) and approximately HK$109,519,000 (2014: HK$62,872,000), 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 2015.

## FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 31 December 2015.

## CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2015 and up to the date of this report.

### (A) Share Capital

Save as disclosed in paragraph (C)(i) below in relation to the issue of shares upon conversion of convertible bonds, there were no changes in the share capital of the Company during the year end up to the date of this report. The Company has 1,942,452,606 issued shares as at 31 December 2015 and the date of this report.

### (B) Share Options

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and expire on 10 May 2022, of which 55,800,000 share options were still outstanding as at 31 December 2015 and the date of this report. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these 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 an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

## (C) Convertible Bonds

There were outstanding convertible bonds in the aggregate principal amounts of approximately HK$95,519,000 and HK$135,519,000 which are convertible into 224,911,386 and 425,590,733 shares of the Company, respectively, as at 31 December 2015 and the date of this report. Convertible bonds issued or converted during the year and up to the date of this report are as follows. Please refer to Note 24 to the consolidated financial statements for more details.

i. On 30 January 2014, pursuant to the sale and purchase agreement to the acquisition of Big Point, the Company issued the Big Point CB in an aggregate principal amount of HK$76,620,000 to China Real Estates 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 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.

   Pursuant to the terms and conditions of the Big Point CB, 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 (immediately after the completion of an open offer on 19 August 2014).

   The remaining Big Point CB in the principal amount of HK$25,000,000 and HK$26,080,000 were converted into 58,139,534 and 60,651,162 shares of the Company on 30 January 2015 and 17 April 2015, respectively.

ii. On 9 February 2015, the Company entered into a placing agreement with ASA Securities, pursuant to which ASA Securities 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 which are 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 completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK$29,000,000 was successfully placed by ASA Securities 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 proceeds was used for acquisitions and as working capital of the Group.

iii. In May 2015, pursuant to the sale and purchase agreement to the acquisition of Rainbow Star, the Company issued the 1st Marsa CB in an aggregate principal amount of HK$54,250,000 to Mr. Chung and Ms. Au as partial satisfaction of the consideration which is convertible into, at HK$0.50 per share (subject to adjustments), 108,500,000 shares of the Company.

iv. On 8 September 2015, pursuant to the sale and purchase agreement to the acquisition of Tai Cheng, the Company issued the 3rd Tai Cheng CB in an aggregate principal amount of HK$477,241 to Tai Shing as partial satisfaction of the consideration which is convertible into, at HK$0.43 per share (subject to adjustments), 1,109,862 shares of the Company.

v. On 27 November 2015, the Company entered into a subscription agreement with a subscriber in relation to the issue of convertible bonds in the aggregate principal amount of HK$40,000,000. Subsequent to the end of the reporting period, the convertible bonds were issued to the subscriber on 15 January 2016 and are convertible into, at HK$0.20 per share (subject to adjustments), an aggregate of 200,000,000 shares of the Company. The proceeds is intended to be used for acquisitions and as working capital of the Group.

## CHARGES ON ASSETS

As at 31 December 2015, 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 of subsidiaries (detailed in Note 31(a) to the consolidated financial statements), there were no significant acquisition and disposal of assets during the year ended 31 December 2015 and up to the date of this report. The Group has also entered into the following memorandum of understanding as at 31 December 2015 and the date of this report.

On 28 October 2015, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, "Green Capital"), Mr. Qian Xuequan and Mr. Lu Jiang entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of 51% equity interest in New Era Development Limited. New Era Development Limited is a company incorporated in the Republic of Fiji with limited liability and will be principally engaged in the provision of therapy, health, tourism and vacation services in the Republic of Fiji. The entire issued share capital of New Era Development Limited is wholly owned by Mr. Qian Xuequan and Mr. Lu Jiang. The consideration of the possible acquisition is to be determined with reference to (i) the profit guarantee as given by Mr. Qian Xuequan and Mr. Lu Jiang; (ii) the business prospects of New Era Development Limited; and/or (iii) valuation of New Era Development Limited by an independent valuer.

The above memorandum of understanding shall be valid for 6 months 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.

## CAPITAL COMMITMENTS

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

| | |
|---|---|
| Authorised but not contracted for: | |
| – Construction of property, plant and equipment | 25,850 |
| Contracted but not provided for: | |
| – Construction of property, plant and equipment | 1,519 |
| | 27,369 |

Save as disclosed as above, on 28 October 2015, Green Capital, Mr. Qian Xuequan and Mr. Lu Jiang entered into a memorandum of understanding (detailed in the Significant Acquisition and Disposal of Assets section above). The consideration and its terms of payment was yet to be determined as at the date of this report.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015.

## 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 2015, the Group employed approximately 400 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.

# Profile of Directors and Company Secretary

## EXECUTIVE DIRECTORS

**Dr. Yang Wang Jian**, aged 59, 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 was also appointed as directors of several of the Company's subsidiaries. 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 25 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 48, 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 32, 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 64, was appointed as an executive Director on 1 July 2013. He has over 15 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 and Company Secretary

**Ms. Yang Ya**, aged 30, was appointed as an executive Director on 1 August 2013. She was also appointed as directors of several of the Company's subsidiaries. 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 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 51, 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.

**Ms. Eva Au**, aged 50, was appointed as an executive Director on 5 June 2015. She was a director 香港美妍聯合國際有限公司 (Hong Kong International Institute of Biological Technology Co., Ltd.*) during the period from 1993 to 2005. She was appointed as a committee member of the 4th and 5th National committee of the Chinese People's Political Consultative Conference. She is currently an honorary president of 深圳市美容行業協會 (Shenzhen Beauty Industry Association*), the founding honorary president and an executive vice president of 深圳僑商國際聯合會 (Shenzhen Overseas Chinese International Association*), an executive director of 中華全國工商聯女企業家商會 (China Women's Chamber of Commerce*), executive vice president of 中華兩岸三地專家企業聯合會 (Chinese Entrepreneurs Association of Great China Region*) and was awarded as the "Top Ten Most Influential Leaders" of the cosmetic industry in Shenzhen and Hong Kong in 2006. She was appointed as a director, the general manager and the president of Marsa Group Pty Ltd of Australia. She is currently the president and general manager of 深圳市瑪莎嘉兒連鎖實業有限公司 (Shenzhen Marsa Guer Chain Enterprise Limited*, a non-wholly owned subsidiary of the Company) and a director of Pacific Kang Ying Healthcare Limited, a private limited company incorporated in Hong Kong. She graduated from the Department of Chinese Language and Literature and Department of Mass Communication of the Shenzhen University in 1987 and further graduated from Business Management from the University of Technology, Sydney in 1993. She has a wide knowledge in healthcare and medical management.

# Profile of Directors and Company Secretary

## NON-EXECUTIVE DIRECTOR

**Ms. Yu Jiaoli**, aged 26, 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 57, 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.

**Mr. Wu Hong**, aged 56, 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 15 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 55, 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 20 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 57, was appointed as an independent non-executive Director on 5 September 2013. He has over 25 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.

# Profile of Directors and Company Secretary

**Prof. Zhu Yi Zhun**, aged 51, was appointed as an independent non-executive Director on 4 March 2016. He graduated from the School of Medicine of the Shanghai Jiao Tong University with a bachelor degree in Medicine in 1989, and then graduated from the School of Medicine of the Heidelberg University with a doctor's degree in Medicine in 1994. He has been working on cardiovascular and neuropharmacology research for nearly 20 years, and he is currently the first director and the chair professor of the School of Pharmacy of the Macau University of Science and Technology. He currently serves as president of the 國際天然產物協會 (International Society for the Development of Natural Products*) and a part-time professor of the National University of Singapore. He is also a vice president of 中國高等醫學教育學會藥學教育研究會 (Pharmaceutical Education Research Association of the Chinese Higher Institution of Medicine*), an executive director of 中國藥學會 (Chinese Pharmaceutical Association*), a vice president of 上海市藥學會 (Shanghai Pharmaceutical Association*) and an executive committee member of 中國心血管藥理學會 (Chinese Society of Cardiovascular Pharmacology*). He served as the dean of the School of Pharmacy of Fudan University (from 2005 to 2014), as a deputy supervisor of the Medical Academic Committee and as a supervisor of the Pharmacy Academic Committee of Fudan University. He was appointed as an independent director of 山西仟源醫藥集團股份有限公司 (Shanxi C&Y Pharmaceutical Group Company, Limited*) (stock code: 300254) on 1 June 2010, and was appointed as an independent director of 江門甘蔗化工廠（集團）股份有限公司 (Jiangmen Sugarcane Chemical Factory (Group) Company, Limited*) (stock code: 000576) on 15 August 2015, both of which are listed on the Shenzhen Stock Exchange.

## COMPANY SECRETARY

**Mr. Chau Kin Cheung Alfred**, aged 31, was appointed as company secretary on 21 August 2015. He was also appointed as company secretaries of several of the Company's subsidiaries. He is a member of the Association of Chartered Certified Accountants. He holds a bachelor's degree in professional accountancy from the Chinese University of Hong Kong. He has extensive professional experience in accounting, auditing, financial management and compliance matters.

* *for identification purpose only*

# Corporate Governance Report

## 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. Save for the deviation from code provision A.6.7 which is explained below, the Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2015.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Four independent non-executive Directors did not attend the annual general meeting held on 5 June 2015 due to other work commitments. Four independent non-executive Directors and one non-executive Director did not attend an extraordinary general meeting held on 29 January 2015 due to other work commitments. Three independent non-executive Directors and one non-executive Director did not attend an extraordinary general meeting held on 4 September 2015 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

## 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.

# Corporate Governance Report

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 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 7 executive Directors, 1 non-executive Director and 5 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
Ms. Eva Au (appointed on 5 June 2015)

## 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
Prof. Zhu Yi Zhun (appointed on 4 March 2016)

The profiles of each Director are set out in the "Profile of Directors and Company Secretary" section in this annual report. Save as disclosed in the "Profile of Directors and Company Secretary"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 5 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 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.

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)* |
|---|---|
| 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. Eva Au | 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 2015 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 37.

## 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.

# Corporate Governance Report

During the year, 23 Board meetings and 3 general meetings (two extraordinary general meetings on 29 January 2015 and 4 September 2015 respectively, and one annual general meeting on 5 June 2015) 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 | 23/23 |
| Mr. Wong Man Keung *(Chief Executive Officer)* | 3/3 | 23/23 |
| Ms. Yang Jun | 2/3 | 23/23 |
| Mr. Chen Hanhong | 3/3 | 23/23 |
| Ms. Yang Ya | 3/3 | 23/23 |
| Dr. Yu Qigang | 0/3 | 23/23 |
| Ms. Eva Au (appointed on 5 June 2015) | 0/1 | 11/11 |
| **Non-executive Director** | | |
| Ms. Yu Jiaoli | 1/3 | 23/23 |
| **Independent Non-executive Directors** | | |
| Mr. Yeung King Wah, Kenneth | 0/3 | 23/23 |
| Mr. Wu Hong | 0/3 | 23/23 |
| Mr. Low Chin Sin | 1/3 | 23/23 |
| Mr. Ye Yunhan | 0/3 | 23/23 |
| Prof. Zhu Yi Zhun (appointed on 4 March 2016) | 0/0 | 0/0 |

## 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 2 meetings. Members and their attendances are as follows:

| **Director Name** | **Attendance** |
|---|---|
| Mr. Low Chin Sin *(Chairman)* | 2/2 |
| Mr. Yeung King Wah, Kenneth | 2/2 |
| Mr. Wu Hong | 2/2 |

## Remuneration Committee

The Remuneration Committee comprises the Chairman 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 4 meetings. Members and their attendances are as follows:

| **Director Name** | **Attendance** |
|---|---|
| Mr. Low Chin Sin *(Chairman)* | 4/4 |
| Dr. Yang Wang Jian | 4/4 |
| Mr. Yeung King Wah, Kenneth | 4/4 |

### Nomination Committee

The Nomination Committee comprises the Chairman 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 3 meetings. Members and their attendances are as follows:

| Director Name | Attendance |
|---|---|
| Dr. Yang Wang Jian *(Chairman)* | 3/3 |
| Mr. Yeung King Wah, Kenneth | 3/3 |
| Mr. Low Chin Sin | 3/3 |

## 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 in 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 (if any) and considered that such services have no adverse effect on the independence of their audit works.

A summary of services provided by the external auditor for the year ended 31 December 2015 and their corresponding remunerations are as follows:

| **Nature of services** | **Amount** |
|---|---|
| | *HK$'000* |
| Audit services | 774 |

## 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 annual and interim 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 2015.

## 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 37(a) 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.

## BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 of this annual report.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 is set out on page 38. The 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 23 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 42 of this annual report and Note 37(c) to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2015, 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 | 544,946 |
| Accumulated losses | (130,188) |
| | 414,758 |

## 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 24 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 113 to 114 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
Ms. Eva Au (appointed on 5 June 2015)

### 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
Prof. Zhu Yi Zhun (appointed on 4 March 2016)

In accordance with the Company's Articles of Association, Dr. Yang Wang Jian, Mr. Chen Hanhong, Ms. Yang Ya, Dr. Yu Qigang, Ms. Eva Au and Prof. Zhu Yi Zhun 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 10 to 13 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 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 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 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 1 month's written notice.

Ms. Eva Au, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 5 June 2015 which could be terminated by either party giving to the other 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 2015 which could be terminated by either party giving to the other 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 2015 which could be terminated by either party giving to the other 1 month's written notice. Mr. Ye Yunhan was appointed as an independent non-executive Director on 5 September 2013.

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 2015 which could be terminated by either party giving to the other 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 2015 which could be terminated by either party giving to the other 1 month's written notice. Mr. Low Chin Sin was appointed as an independent non-executive Director on 15 November 2012.

Prof. Zhu Yi Zhun, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 4 March 2016 which could be terminated by either party giving to the other 1 month's written notice. Prof. Zhu Yi Zhun was appointed as an independent non-executive Director on 4 March 2016.

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 Note 34(b) to the consolidated financial statements, 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 Note 34(b) 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 the controlling shareholder entered into any contract of significance.

## CONNECTED TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS

As far as the transactions as set out in Note 34(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.

The transactions as set out in Note 34(b) 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.

## 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 2015, 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 | 987,697,627 | 50.07% |
| Dr. Yu Qigang *(Note ii)* | Others | 148,154,644 | 7.51% |

*Notes:*

(i) The 987,697,627 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 987,697,627 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 7.51% 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 2015.

**(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 | 0.46% |
| *(Note ii)* | Beneficial owner | 6,700,000 | 0.34% |
| Mr. Wong Man Keung *(Note i)* | Beneficial owner | 9,000,000 | 0.46% |
| *(Note ii)* | Beneficial owner | 10,700,000 | 0.54% |
| Ms. Yang Jun *(Note i)* | Beneficial owner | 6,000,000 | 0.30% |
| *(Note ii)* | Beneficial owner | 11,000,000 | 0.56% |
| Mr. Chen Hanhong *(Note ii)* | Beneficial owner | 8,000,000 | 0.41% |
| Ms. Yang Ya *(Note i)* | Beneficial owner | 5,800,000 | 0.29% |
| *(Note ii)* | Beneficial owner | 11,000,000 | 0.56% |
| Dr. Yu Qigang *(Note ii)* | Beneficial owner | 18,000,000 | 0.91% |
| Ms. Eva Au *(Note ii)* | Beneficial owner | 14,000,000 | 0.71% |
| *(Note iii)* | Beneficial owner | 65,100,000 | 3.30% |
| Ms. Yu Jiaoli *(Note ii)* | Beneficial owner | 18,000,000 | 0.91% |
| Mr. Wu Hong *(Note ii)* | Beneficial owner | 5,000,000 | 0.25% |
| Mr. Low Chin Sin *(Note ii)* | Beneficial owner | 5,000,000 | 0.25% |
| Mr. Ye Yunhan *(Note ii)* | Beneficial owner | 14,000,000 | 0.71% |

*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) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 17 December 2015. However, no share options were accepted by the Directors within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted to the Directors by the Company during the year.

(iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 26(a) to the consolidated financial statements) beneficially owned by Ms. Eva Au as at 31 December 2015.

(iv) The percentages are calculated based on the total number of issued shares as at 31 December 2015.

### Associated corporation – Gold Bless (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 2015, 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 "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, 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 2015, 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 *(Note i & ii)* | Beneficial owner | 987,697,627 | 50.07% |
| Dr. Yang Wang Jian *(Note i)* | Interest of controlled corporations | 987,697,627 | 50.07% |
| Dr. Yu Qigang *(Note ii)* | Others | 148,154,644 | 7.51% |

*Notes:*

(i) Gold Bless, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian, beneficially owned 987,697,627 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.

(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 987,697,627 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 7.51% 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 2015.

**(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 | 0.46% |
| *(Note ii)* | Beneficial owner | 6,700,000 | 0.34% |
| Dr. Yu Qigang *(Note ii)* | Beneficial owner | 18,000,000 | 0.91% |
| Mr. Chung Sum Sang *(Note iii)* | Beneficial owner | 235,400,000 | 11.93% |
| Mr. Yang Yue Zhou *(Note iv)* | Beneficial owner | 200,000,000 | 10.14% |
| Hong Kong Qian Hai Financial Group Limited *(Note v)* | Beneficial owner | 100,000,000 | 5.07% |
| Mr. Zhang Xuejun *(Note v)* | Interest of controlled corporations | 100,000,000 | 5.07% |

*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) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 17 December 2015. However, no share options were accepted by the Directors within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted to the Directors by the Company during the year.

(iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 26(a) to the consolidated financial statements) beneficially owned by Mr. Chung Sum Sang as at 31 December 2015.

(iv) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the convertible bonds that may be issued to Mr. Yang Yue Zhou as at 31 December 2015.

(v) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the convertible bonds that may be issued to Hong Kong Qian Hai Financial Group Limited as at 31 December 2015. Hong Kong Qian Hai Financial Group Limited is wholly-owned by Mr. Zhang Xuejun and therefore Mr. Zhang Xuejun is deemed to be interested in such underlying shares pursuant to Part XV of the SFO.

(vi) The percentages are calculated based on the total number of issued shares as at 31 December 2015.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2015, 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.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility regarding environmental and social sustainability. The Group implements green office practices such as promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less than 30% of the total Group purchases and total Group revenue.

## RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals. To maintain its core competitiveness, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year, there were no material and significant disputes between the Group and its suppliers and/or customers.

## 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, 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.

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons under the Share Option Scheme for their contribution, and continuing efforts to promote the interests of the Company. The Board consider that the Share Option Scheme is in the interests of the Company and the Shareholders as a whole as it provides the Company with more flexibility in providing incentives to those eligible persons under the Share Option Scheme by way of granting of options.

The eligible persons under the Share Option Scheme include any full-time or part-time employees, directors, suppliers, customers, service providers and consultants of Group, who in the absolute discretion of the Board has contributed to the development and growth of the Group.

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.

As at the date of this annual report, the total number of shares of the Company available for issue under the Share Option Scheme was 253,046,050 shares, representing 12.83% of the number of issued shares of the Company. The 253,046,050 shares issuable comprises the following:–

1) 55,800,000 outstanding share options issued on 11 May 2012;

2) on 4 September 2015, the Shareholders passed a resolution to refresh the limit imposed under the Share Option Scheme, pursuant to which (after all the conditions of the said refreshment being satisfied), the Company may grant options to eligible persons under the Share Option Scheme to subscribe for up to 197,245,260 shares, which do not include the options that are outstanding, cancelled or have lapsed as at the date of passing of the relevant resolution; and

3) 790 options issuable under the old scheme mandate limit prior to the refreshment detailed in (2) above.

The total number of shares to be issued upon exercise of the share options granted under the Share Option Scheme to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue as at the date of grant. If the Board proposes to grant options to a substantial shareholder or an independent non-executive Director or their respective associates which results in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the number of shares in issue on the date of grant and having an aggregate value in excess of HK$5,000,000, based on the closing price of the shares at the date of each grant, such further grant of options shall be subject to the Shareholders' approval in general meeting.

At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The option will be offered for acceptance for a period of 28 days from the date on which the option is granted or for such other period of time as may be determined by the Board. Upon acceptance of an offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price shall be determined by the Board in its absolute discretion, but must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered (the "Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a share of the Company.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme was conditionally adopted by the Shareholders on 2 September 2006 and ending on 1 September 2016. The remaining life of the Share Option Scheme as at 31 December 2015 was approximately 8 months.

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

| Name of grantee | Exercise price *HK$* | Exercisable period | As at 1 January 2015 | Granted during the year | Exercised/ Lapsed during the year | As at 31 December 2015 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| 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 |
| **Other persons** | 0.32 | 11.5.2012 to 10.5.2022 | 26,000,000 | – | – | 26,000,000 |
| | | | 55,800,000 | – | – | 55,800,000 |

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

## 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$1,500 per month 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$1,500 per month.

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 14 to 24 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 2013 and 2014 were audited by Parker Randall CF (H.K.) CPA Limited and McMillan Woods SG CPA Limited, respectively.

McMillan Woods SG CPA Limited has been appointed as the Company's external auditor for the year ended 31 December 2015 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 2016.

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

Hong Kong, 30 March 2016

# 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 38 to 112, which comprise the consolidated statement of financial position as at 31 December 2015, 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 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 section 405 of the Hong Kong Companies Ordinance 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 financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Hong Kong
30 March 2016

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **45,620** | 160,940 |
| Direct costs and operating expenses | 7 | **(18,595)** | (147,899) |
| **Gross profit** | | **27,025** | 13,041 |
| Other income and gains | 6 | **9,902** | 1,021 |
| Gain on bargain purchase on acquisition of subsidiaries | 31(a) | **36,918** | – |
| Selling expenses | 7 | **(29,767)** | (25,877) |
| Administrative expenses | 7 | **(77,103)** | (41,627) |
| Fair value change of derivative financial instruments – Early redemption option | 24(f) & 26(a) | **(47,690)** | – |
| Provision for impairment of property, plant and equipment | 14 | **(10,240)** | – |
| Provision for impairment of goodwill | 15 | **(160,877)** | (29,759) |
| Provision of discount on past due balances of trade receivables | 19 | **–** | (10,601) |
| Finance income/(costs), net | 8 | **45,605** | (4,255) |
| **Loss before income tax** | | **(206,227)** | (98,057) |
| Income tax expense | 9 | **(2,624)** | (728) |
| **Loss for the year** | | **(208,851)** | (98,785) |
| **(Loss)/Profit for the year attributable to:** | | | |
| – Equity holders of the Company | | **(205,103)** | (99,147) |
| – Non-controlling interests | | **(3,748)** | 362 |
| | | **(208,851)** | (98,785) |
| **Loss per share for loss for the year attributable to the equity holders of the Company** | | | |
| – Basic *(HK cents)* | 12 | **(10.40)** | (5.99) |
| – Diluted *(HK cents)* | 12 | **(10.40)** | (5.99) |

The notes on pages 44 to 112 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 2015

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| **Loss for the year** | **(208,851)** | (98,785) |
| **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 | **5,155** | 608 |
| – Reclassification adjustments relating to foreign operations disposed of during the year | **–** | 21 |
| | **5,155** | 629 |
| **Total comprehensive expenses for the year** | **(203,696)** | (98,156) |
| **Total comprehensive (expenses)/income for the year attributable to:** | | |
| – Equity holders of the Company | **(199,735)** | (98,483) |
| – Non-controlling interests | **(3,961)** | 327 |
| | **(203,696)** | (98,156) |

The notes on pages 44 to 112 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **25,148** | 15,772 |
| Goodwill | 15 | **–** | 160,877 |
| Trademark user right and technical know-how | 16 | **222,222** | – |
| Other intangible assets | 16 | **1,767** | 1,568 |
| Derivative financial instruments | | | |
| – Put option | 31(a) | **5,910** | – |
| – Early redemption option | 24(f) & 26(a) | **22,546** | – |
| Deposit paid for acquisition of subsidiaries | 31(a) | **–** | 20,000 |
| | | **277,593** | 198,217 |
| **Current assets** | | | |
| Inventories | 17 | **6,831** | 696 |
| Trade receivables | 19 | **98,993** | 111,325 |
| Loans receivable | 20 | **51,000** | 19,000 |
| Prepayments, deposits and other receivables | 21 | **50,874** | 38,222 |
| Tax recoverable | | **707** | 707 |
| Cash and cash equivalents | 22 | **53,129** | 131,205 |
| | | **261,534** | 301,155 |
| Total assets | | **539,127** | 499,372 |

# Consolidated Statement of Financial Position

As at 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 23 | **19,725** | 18,537 |
| Share premium | | **544,946** | 495,054 |
| Other reserves | | **80,598** | 69,326 |
| Accumulated losses | | **(301,527)** | (128,187) |
| | | **343,742** | 454,730 |
| **Non-controlling interests** | | **4,257** | 6,876 |
| **Total equity** | | **347,999** | 461,606 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | 24 | **44,669** | 8,584 |
| Bonds payable | 25 | **9,705** | – |
| Contingent consideration payable | 26 | **49,247** | 273 |
| Deferred tax liabilities | 27 | **22,222** | – |
| | | **125,843** | 8,857 |
| **Current liabilities** | | | |
| Trade payables | 28 | **6,020** | 3,632 |
| Other payables, accruals and deposits received | 29 | **51,152** | 25,266 |
| Convertible bonds | 24 | **5,482** | – |
| Tax payable | | **2,631** | 11 |
| | | **65,285** | 28,909 |
| **Total liabilities** | | **191,128** | 37,766 |
| **Total equity and liabilities** | | **539,127** | 499,372 |
| **Net current assets** | | **196,249** | 272,246 |
| **Total assets less current liabilities** | | **473,842** | 470,463 |

On behalf of the Board

**Yang Wang Jian**
*Director*

**Wong Man Keung**
*Director*

The notes on pages 44 to 112 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Attributable to the equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Share-based equity reserve* | Convertible bonds – equity component reserve* | Put option reserve* | Exchange reserve* | (Accumulated losses)/ Retained earnings | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2014 | 12,190 | 208,389 | 13,028 | 9,837 | – | (236) | (32,453) | 210,755 | 6,580 | 217,335 |
| **Total comprehensive (expense)/income for the year** | | | | | | | | | | |
| (Loss)/Profit for the year | – | – | – | – | – | – | (99,147) | (99,147) | 362 | (98,785) |
| Other comprehensive income 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 23(a)(i))* | 10 | 564 | (204) | – | – | – | – | 370 | – | 370 |
| Acquisition of subsidiaries *(Note 31(b)(i))* | – | – | – | 76,620 | – | – | – | 76,620 | (31) | 76,589 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(ii))* | 511 | 25,029 | – | (25,540) | – | – | – | – | – | – |
| Issue of convertible bonds *(Note 24(c))* | – | – | – | 12,725 | – | – | – | 12,725 | – | 12,725 |
| Issue of convertible bonds *(Note24(c))* | – | – | – | 7,436 | – | – | – | 7,436 | – | 7,436 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(iii))* | 600 | 30,421 | – | (7,436) | – | – | – | 23,585 | – | 23,585 |
| Issue of shares upon completion of an open offer *(Note 23(a)(iv))* | 3,993 | 174,014 | – | – | – | – | – | 178,007 | – | 178,007 |
| Issue of shares upon exercise of share options *(Note 23(a)(v))* | 70 | 3,600 | (1,430) | – | – | – | – | 2,240 | – | 2,240 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(vi))* | 1,163 | 53,037 | – | (12,725) | – | – | – | 41,475 | – | 41,475 |
| Fair value change of contingent consideration payable *(Note 26(b))* | – | – | – | (3,413) | – | – | 3,413 | – | – | – |
| | 6,347 | 286,665 | (1,634) | 47,667 | – | – | 3,413 | 342,458 | (31) | 342,427 |
| At 31 December 2014 | **18,537** | **495,054** | **11,394** | **57,504** | **–** | **428** | **(128,187)** | **454,730** | **6,876** | **461,606** |
| **Total comprehensive (expenses)/income for the year** | | | | | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(205,103)** | **(205,103)** | **(3,748)** | **(208,851)** |
| Other comprehensive income/(expenses) for the year | **–** | **–** | **–** | **–** | **–** | **5,368** | **–** | **5,368** | **(213)** | **5,155** |
| | **–** | **–** | **–** | **–** | **–** | **5,368** | **(205,103)** | **(199,735)** | **(3,961)** | **(203,696)** |
| **Transactions with owners** | | | | | | | | | | |
| Acquisition of subsidiaries *(Note 31(a))* | **–** | **–** | **–** | **75,908** | **24,990** | **–** | **–** | **100,898** | **1,342** | **102,240** |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(vii))* | **581** | **24,419** | **–** | **(25,000)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Issue of convertible bonds *(Note 24(e))* | **–** | **–** | **–** | **6,929** | **–** | **–** | **–** | **6,929** | **–** | **6,929** |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(viii))* | **607** | **25,473** | **–** | **(26,080)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Fair value change of put option *(Note 31(a))* | **–** | **–** | **–** | **–** | **(19,080)** | **–** | **–** | **(19,080)** | **–** | **(19,080)** |
| Fair value change of contingent consideration payable *(Note 26(a))* | **–** | **–** | **–** | **(31,763)** | **–** | **–** | **31,763** | **–** | **–** | **–** |
| | **1,188** | **49,892** | **–** | **(6)** | **5,910** | **–** | **31,763** | **88,747** | **1,342** | **90,089** |
| At 31 December 2015 | **19,725** | **544,946** | **11,394** | **57,498** | **5,910** | **5,796** | **(301,527)** | **343,742** | **4,257** | **347,999** |

* The other reserves as presented in the consolidated statement of financial position are comprised of these reserve accounts.

The notes on pages 44 to 112 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in from operations | *30* | **(60,263)** | (60,422) |
| Profits tax paid | | **(4)** | (3,063) |
| Net cash used in operating activities | | **(60,267)** | (63,485) |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | **(13,315)** | (10,475) |
| Increase in loans receivable | | **(32,000)** | (19,000) |
| Interest received | | **138** | 76 |
| Deposit paid for acquisition of subsidiaries | *31(a)* | **–** | (20,000) |
| Net cash outflow on acquisition of subsidiaries | *31* | **(29,538)** | (1,090) |
| Net cash inflow on disposal of a subsidiary | *32* | **–** | 26,397 |
| Net cash used in investing activities | | **(74,715)** | (24,092) |
| **Cash flows from financing activities** | | | |
| Repayments to controlling shareholder | | **–** | (122,591) |
| Interest paid | | **(1,960)** | (527) |
| Deposit received from proposed issue of convertible bonds | | **11,941** | – |
| Net proceeds from issue of shares upon exercise of share options | | **–** | 2,610 |
| Net proceeds from issue of convertible bonds | | **28,048** | 79,776 |
| Net proceeds from issue of bonds payable | | **12,530** | – |
| Net proceeds from issue of shares upon completion of an open offer | | **–** | 178,007 |
| Net cash generated from financing activities | | **50,559** | 137,275 |
| Net (decrease)/increase in cash and cash equivalents | | **(84,423)** | 49,698 |
| Cash and cash equivalents at 1 January | | **131,205** | 80,486 |
| Effects of exchange rate changes on balances denominated in foreign currencies | | **6,347** | 1,021 |
| Cash and cash equivalents at 31 December | *22* | **53,129** | 131,205 |

The notes on pages 44 to 112 are an integral part of these consolidated financial statements.

# Notes to the 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 in 2006.

Following the acquisition of the beauty and wellness business in May 2015 (Note 31(a)), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

The Directors consider 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 on 30 March 2016.

## 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 Rules and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements.

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

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding the preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the new Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

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 and amendments to existing standards and other applicable disclosure requirements

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

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

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle |

The adoption of these amendments 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 and amendments to existing standards and other applicable disclosure requirements *(Continued)*

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

The following published new standards and amendments to existing standards are mandatory for the Group's financial years beginning on or after 1 January 2016 and have not been early adopted by the Group.

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018

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

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

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

### 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 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. Otherwise, amortisation is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Financial instruments

(a) *Classification*

The classification of financial instruments depends on the purpose for which the financial assets or liabilities were acquired or assumed. Management determines the classification of its financial instruments at initial recognition.

The Group's financial assets carried at fair value through profit or loss includes early redemption options arising from its convertible bonds and contingent consideration payable. The put option arising from business combinations is carried at fair value, with the change in fair value directly recognized within equity. The Group classifies all of its other financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprises trade and other receivables, loans receivable and cash and cash equivalents (Notes 2.12, 2.10(b) and 2.13).

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.

Financial instruments 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.

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

### 2.10 Financial instruments *(Continued)*

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

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

### 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

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).

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

### 2.20 Employee benefits *(Continued)*

*(c) Share-based compensation plan (Continued)*

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.

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

### 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.

(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 and beauty and wellness business*

Revenue from the clubhouse and beauty and wellness 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$ and Renminbi ("RMB"). The Group is therefore exposed to foreign exchange risk arising from RMB, 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 at 31 December 2015, 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$969,000 lower/higher (2014: 2,863,000 lower/higher) 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 carrying amounts of trade receivables (Note 19), loans receivable (Note 20), deposits and other receivables (Note 21) and cash and cash equivalents (Note 22) 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 2015 and 2014, 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.

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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

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

*(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 of trade payables and other payables and accruals equal their carrying amounts, as the impact of discounting is not significant.

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than 1 year or repayable on demand: | | |
| – Trade payables *(Note 28)* | **6,020** | 3,632 |
| – Other payables and accruals *(Note 29)* | **32,001** | 14,033 |
| – Convertible bonds *(Note 24)* | **6,164** | – |
| | **44,185** | 17,665 |
| More than 1 year: | | |
| – Convertible bonds *(Note 24)* | **55,455** | 11,792 |
| – Bonds payable *(Note 25)* | **14,000** | – |
| – Contingent consideration payable *(Note 26)* | **72,800** | 477 |
| | **142,255** | 12,269 |

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

Except for cash and cash equivalents (Note 22), the Group has no other significant interest-bearing assets at floating rates. The Group's loans receivable (Note 20) 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 2015, the Group has convertible bonds and bonds payable (2014: 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 bonds payable are disclosed in Notes 24 and 25 respectively.

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

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 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.

The gearing ratios at 31 December 2015 and 2014 were as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total liabilities | **191,128** | 37,766 |
| Total assets | **539,127** | 499,372 |
| Gearing ratio | **35.5%** | 7.6% |

### 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).

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation on a recurring basis *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2015 and 2014. The Group has no assets that are measured at fair value as at 31 December 2014.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2015** | | | | |
| Derivative financial instruments | | | | |
| – Put option *(Note 31(a))* | **–** | **5,910** | **–** | **5,910** |
| – Early redemption option *(Note 24(f) & 26(a))* | **–** | **22,546** | **–** | **22,546** |
| Contingent consideration payable *(Note 26)* | **–** | **–** | **49,247** | **49,247** |
| 2014 | | | | |
| Contingent consideration payable *(Note 26)* | – | – | 273 | 273 |

As one or more of the significant inputs to fair value the derivative financial instruments is derived from observable market data, they are included in Level 2. The valuation techniques used to value the put option and the early redemption option is the binomial tree pricing model and the partial differential equation method, respectively.

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

There were no transfers between Levels 1, 2 and 3 during the years ending 31 December 2015 and 2014.

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 and 3 fair value measurements.

| | Unobservable inputs | Changes in unobservable inputs | Approximate changes in fair value |
|---|---|---|---|
| Put option | Projected net profit of the target group | +10% | Increase of HK$540,000 |
| | | -10% | Decrease of HK$540,000 |
| | Volatility of earnings of similar businesses | +10% | Increase of HK$1,850,000 |
| | | -10% | Decrease of HK$1,850,000 |
| Early redemption option | Risk-adjusted discount rate | +10% | Decrease of HK$131,000 |
| | | -10% | Increase of HK$118,000 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation on a recurring basis *(Continued)*

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The following table presents the changes in Level 3 instruments (contingent consideration payable) for the years ended 31 December 2015 and 2014.

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at 1 January | **273** | 6,099 |
| Acquisition of subsidiaries *(Note 31(a))* | **69,033** | – |
| Fair value change *(Note 8)* | **(19,754)** | (2,112) |
| Settlement by issuance of convertible bonds *(Note 26(b))* | **(305)** | (3,714) |
| Balance at 31 December | **49,247** | 273 |
| Total gain for the year included in profit or loss under finance income/costs, net *(Note 8)* | **19,754** | 2,112 |

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 2015, an impairment charge of approximately HK$160,877,000 arose in a CGU of the clubhouse business (2014: HK$29,759,000 from a trading 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 2015, an impairment charge of approximately HK$10,240,000 arose in a CGU of the clubhouse business of the Group, resulting in the carrying amount of the related property, plant and equipment 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 2015, the Group had outstanding receivables of approximately HK$150,972,000 (2014: HK$163,304,000); out of which approximately HK$148,229,000 (2014: HK$160,451,000) were overdue. Up to 31 December 2015, management has made an accumulated provision of approximately HK$51,979,000 (2014: HK$51,979,000) 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 financial instruments

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

## 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;

(b) the clubhouse business segment (acquired in January 2014) (Note 31(b)(i)) engages in the operation of clubhouse business; and

(c) the beauty and wellness business segment (acquired in May 2015) (Note 31(a)) engages in the provision of beauty and wellness related services.

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)*

Revenue of the Group by operating segments and geographical regions is as follows:

| | Toys business | Clubhouse business | Beauty and wellness business | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **For the year ended 31 December 2015** | | | | |
| Hong Kong | **162** | **–** | **–** | **162** |
| The PRC | **7,458** | **16,269** | **21,668** | **45,395** |
| Japan | **63** | **–** | **–** | **63** |
| | **7,683** | **16,269** | **21,668** | **45,620** |

| | Toys business | Clubhouse business | Beauty and wellness business | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 |

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/beauty and wellness segment, respectively. During the year ended 31 December 2015, revenue of approximately HK$7,458,000 (2014: HK$121,637,000) were derived from 1 major customer (2014: 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:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Toys business *(note (i))* | **(16,718)** | (47,962) |
| Clubhouse business *(note (ii))* | **(197,777)** | (27,261) |
| Beauty and wellness business | **6,247** | – |
| Total net operating loss by operating segments | **(208,248)** | (75,223) |
| Unallocated corporate expenses, net | **(33,734)** | (18,840) |
| Gain on bargain purchase on acquisition of subsidiaries *(Note 31(a))* | **36,918** | – |
| Gain on issue of bonds payable *(Note 25)* | **922** | – |
| Gain on disposal of a subsidiary *(Note 32)* | **–** | 261 |
| Fair value change of derivative financial instruments – Early redemption option *(Note 24(f) & 26(a))* | **(47,690)** | – |
| Finance income/(costs), net *(Note 8)* | **45,605** | (4,255) |
| Loss before income tax | **(206,227)** | (98,057) |
| Income tax expense *(Note 9)* | **(2,624)** | (728) |
| Loss for the year | **(208,851)** | (98,785) |

*Note:* (i) For the year ended 31 December 2014, provision for impairment of goodwill and provision for discount on past due balances of trade receivables of approximately HK$29,759,000 and HK$10,240,000, respectively, was included within toys business segment.

(ii) For the year ended 31 December 2015, provision for impairment of property, plant and equipment and goodwill of approximately HK$10,240,000 and HK$160,877,000, respectively, was included within clubhouse business segment.

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

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

| | **Toys business** *HK$'000* | **Clubhouse business** *HK$'000* | **Beauty and wellness business** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|---|
| **As at 31 December 2015** | | | | |
| Hong Kong | **98,113** | **–** | **–** | **98,113** |
| The PRC | **5,289** | **7,703** | **257,119** | **270,111** |
| | **103,402** | **7,703** | **257,119** | **368,224** |
| Derivative financial instruments | | | | |
| – Put option *(Note 31(a))* | | | | **5,910** |
| – Early redemption option *(Note 24(f) & 26(a))* | | | | **22,546** |
| Unallocated corporate assets | | | | **142,447** |
| | | | | **539,127** |

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Beauty and wellness business *HK$'000* | Consolidated *HK$'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 |
| Deposit paid for acquisition of subsidiaries *(Note 31(a))* | | | | 20,000 |
| Unallocated corporate assets | | | | 178,142 |
| | | | | 499,372 |

Total assets are allocated based on their geographical locations.

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

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

| | **Toys business** *HK$'000* | **Clubhouse business** *HK$'000* | **Beauty and wellness business** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|---|
| **As at 31 December 2015** | | | | |
| Hong Kong | **66** | **–** | **–** | **66** |
| The PRC | **488** | **–** | **243,316** | **243,804** |
| | **554** | **–** | **243,316** | **243,870** |
| Derivative financial instruments | | | | |
| – Put option *(Note 31(a))* | | | | **5,910** |
| – Early redemption option *(Note 24(f) & 26(a))* | | | | **22,546** |
| Unallocated corporate assets | | | | **5,267** |
| | | | | **277,593** |

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Beauty and wellness 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 |
| Deposit paid for acquisition of subsidiaries *(Note 31(a))* | | | | 20,000 |
| Unallocated corporate assets | | | | 2,640 |
| | | | | 198,217 |

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

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

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

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Beauty and wellness business *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Hong Kong | **45** | **–** | **–** | **45** |
| The PRC | **–** | **2,721** | **6,983** | **9,704** |
| | **45** | **2,721** | **6,983** | **9,749** |
| Cash paid for acquisition of subsidiaries *(Note 31(a))* | | | | **34,250** |
| Unallocated corporate capital expenditures | | | | **3,566** |
| | | | | **47,565** |

| | Toys business *HK$'000* | Clubhouse business *HK$'000* | Beauty and wellness 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 |
| Cash paid for acquisition of subsidiaries *(Note 31(b))* | | | | 2,010 |
| Deposit paid for acquisition of subsidiaries *(Note 31(a))* | | | | 20,000 |
| Unallocated corporate capital expenditures | | | | 695 |
| | | | | 32,485 |

Capital expenditures are allocated based on their geographical locations.

## 6 OTHER INCOME AND GAINS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Sundry income | | |
| —Other payables written off | **4,035** | — |
| —Others | **166** | 86 |
| Exchange gain | **2,792** | 674 |
| Gain on disposal of a subsidiary *(Note 32)* | **–** | 261 |
| Gain on issue of bonds payable *(Note 25)* | **922** | – |
| Pre-acquisition expenses borne by an ex-shareholder of a subsidiary | **1,987** | – |
| | **9,902** | 1,021 |

## 7 EXPENSES BY NATURE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Auditor's remuneration | **774** | 771 |
| Depreciation of property, plant and equipment *(Note 14)* | **8,735** | 6,920 |
| Merchandise purchased and changes in inventories *(Note 17)* | **15,534** | 139,595 |
| Employee benefit expenses *(Note 10)* | **37,930** | 28,214 |
| Operating lease rental expenses | **17,806** | 13,179 |
| Others | **44,686** | 26,724 |
| Total direct costs, operating expenses, selling expenses and administrative expenses | **125,465** | 215,403 |

## 8 FINANCE INCOME/COSTS, NET

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Interest income: | | |
| – Bank deposits | **138** | 76 |
| – Loans receivable *(Note 20)* | **4,913** | 230 |
| Fair value change of contingent consideration payable *(Note 26)* | **19,754** | 2,112 |
| Interest expense: | | |
| – Amount due to controlling shareholder | **–** | (527) |
| – Convertible bonds *(Note 24)* | **(6,474)** | (6,146) |
| – Bonds payable *(Note 25)* | **(57)** | – |
| Convertible bonds written back pursuant to profit guarantee *(Note 24)* | **27,331** | – |
| Finance income/(costs), net | **45,605** | (4,255) |

## 9 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2014: 16.5%) and 25% (2014: 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:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current taxation | | |
| – Hong Kong profits tax | **–** | 737 |
| – PRC Enterprise Income Tax | **2,624** | 2 |
| | **2,624** | 739 |
| Write back of over-provision in respect of prior years | | |
| – Hong Kong profits tax | **–** | (11) |
| | **2,624** | 728 |

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:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax | **(206,227)** | (98,057) |
| Calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%) | **(34,027)** | (16,179) |
| Effect of different tax rates in other jurisdictions | **(2,857)** | (2,891) |
| Income not subject to tax | **(14,499)** | (1,100) |
| Expenses not deductible | **27,976** | 12,926 |
| Tax losses for which no deferred income tax asset was recognized | **26,122** | 7,985 |
| Write back of over-provision in respect of prior years | **–** | (11) |
| Others | **(91)** | (2) |
| Income tax expense | **2,624** | 728 |

## 10 EMPLOYEE BENEFIT EXPENSES

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Wages, salaries and other short-term employee benefits | **35,140** | 26,934 |
| Pension costs – defined contribution plans | **2,790** | 1,280 |
| | **37,930** | 28,214 |

### (a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2015 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 | – | 3,180 | 18 | – | 3,198 |
| WONG, Man Keung | – | 1,260 | 18 | – | 1,278 |
| YANG, Jun | – | 940 | 18 | – | 958 |
| CHEN, Hanhong | 180 | – | – | – | 180 |
| YANG, Ya | – | 660 | 18 | – | 678 |
| YU, Qigang | 360 | – | – | – | 360 |
| Au, Eva *(Note 1)* | 103 | – | – | – | 103 |
| **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 |
| ZHU, Yi Zhun *(Note 2)* | – | – | – | – | – |
| | 1,243 | 6,040 | 72 | – | 7,355 |

## 10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

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

The remuneration of each Director for the year ended 31 December 2014 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 | – | 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 3)* | 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 |

*Notes:*

(1) Appointed on 5 June 2015

(2) Appointed on 4 March 2016

(3) Resigned on 15 January 2014

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 (2014: Nil).

## 10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### (b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include 3 Directors (2014: 3), whose emoluments are disclosed in Note 10(a). Details of emoluments of the remaining 2 (2014: 2) individuals are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wages, salaries and other short-term employee benefits | **1,464** | 1,563 |
| Pension costs – defined contribution plans | **35** | 29 |
| | **1,499** | 1,592 |

The emoluments are within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2015** | 2014 |
| Emolument bands | | |
| Nil – HK$500,000 | **–** | – |
| HK$500,001 – HK$1,000,000 | **2** | 2 |
| | **2** | 2 |

## 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$25,615,000 (2014: HK$20,668,000) (Note 37(c)).

## 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$205,103,000 (2014: HK$99,147,000) divided by the weighted average number of approximately 1,972,453,000 (2014: 1,654,760,000) 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 31(b)(i)) and the effect of an open offer completed in August 2014 (Note 23(a)(iv)).

## 12 LOSS PER SHARE *(Continued)*

### Basic *(Continued)*

| | **2015** | 2014 |
|---|---|---|
| Loss attributable to the equity holders of the Company *(HK$'000)* | **(205,103)** | 99,147 |
| Weighted average number of ordinary shares in issue *(thousands)* | **1,972,453** | 1,654,760 |
| Basic loss per share *(HK cents)* | **(10.40)** | (5.99) |

### 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 4 categories of dilutive potential ordinary shares: share options (Note 23(b)), convertible bonds (Note 24) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 26(b)) and convertible bonds issuable for the acquisition of Rainbow Star in the current year (the "Marsa CB") (Note 26(a)).

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 (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa 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 components of the Tai Cheng CB and the Marsa CB.

The computation of diluted loss per share for the year ended 31 December 2015 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share. 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 years ended 31 December 2015 and 2014 did not assume the conversion of the Company's outstanding convertible bonds, the Tai Cheng CB and the Marsa CB since their assumed conversion would result in a decrease (2014: decrease) in loss per share.

## 13 DIVIDENDS

No dividend in respect of the year ended 31 December 2015 (2014: Nil) is to be proposed at the forthcoming annual general meeting.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | 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 2014** | | | | | | |
| 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 31(b))* | 10,846 | 1,515 | 513 | 555 | 5,438 | 18,867 |
| Disposal of a subsidiary *(Note 32)* | – | – | – | (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 |
| **Year ended 31 December 2015** | | | | | | |
| Opening net book amount | **5,469** | **1,348** | **566** | **1,858** | **6,531** | **15,772** |
| Additions | **6,365** | **3,019** | **337** | **1,051** | **6,578** | **17,350** |
| Depreciation *(Note 7)* | **(6,484)** | **(1,190)** | **(304)** | **(757)** | **–** | **(8,735)** |
| Acquisition of subsidiaries *(Note 31(a))* | **4,603** | **6,149** | **353** | **1,074** | **–** | **12,179** |
| Transfer in/(out) | **1,458** | **–** | **–** | **–** | **(1,458)** | **–** |
| Provision for impairment | **(2,909)** | **(667)** | **(440)** | **(639)** | **(5,585)** | **(10,240)** |
| Exchange realignment | **(303)** | **(397)** | **(38)** | **(95)** | **(345)** | **(1,178)** |
| Closing net book amount | **8,199** | **8,262** | **474** | **2,492** | **5,721** | **25,148** |
| **At 31 December 2015** | | | | | | |
| Cost | **27,450** | **23,606** | **3,342** | **4,235** | **11,306** | **69,939** |
| Accumulated depreciation and impairment | **(19,251)** | **(15,344)** | **(2,868)** | **(1,743)** | **(5,585)** | **(44,791)** |
| Net book amount | **8,199** | **8,262** | **474** | **2,492** | **5,721** | **25,148** |

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

Depreciation expense for the year ended 31 December 2015 of approximately HK$1,466,000 (2014: HK$533,000) and HK$7,269,000 (2014: HK$6,387,000) have been recognised as selling expenses and administrative expenses, respectively.

The Group has not pledged any of its property, plant and equipment during the years ended 31 December 2015 and 2014 for any facilities granted to the Group.

## 15 GOODWILL

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Year ended 31 December | | |
| Net book amount at 1 January | **160,877** | 29,759 |
| Acquisition of subsidiaries *(Note 31)* | **–** | 160,877 |
| Provision for impairment *(Note)* | **(160,877)** | (29,759) |
| Net book amount at 31 December | **–** | 160,877 |
| At 31 December | | |
| Cost | **192,380** | 192,380 |
| Accumulated impairment | **(192,380)** | (31,503) |
| Net book amount | **–** | 160,877 |

*Note:* The Directors have performed an impairment review of the carrying amount of goodwill as at 31 December 2015 and have concluded that an impairment charge of approximately HK$160,877,000 arose in a CGU of the clubhouse business (2014: HK$29,759,000 from a trading 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 2015. 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 5 years (2014: 10 years) and assuming gross profit margins of 60% (2014: 60%). Management assumes that the sales beyond the above-mentioned period will keep stable. The cash flow projections are discounted at a pre-tax discount rate of 14.62% (2014: 11.98%) per annum.

## 16 TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS

| | Trademark user right and technical know-how | Medical license | Cross-boundary vehicle licence | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2014 | | | | |
| Cost | – | – | – | – |
| Accumulated amortisation and impairment | – | – | – | – |
| Net book amount | – | – | – | – |
| Year ended 31 December 2014 | | | | |
| Opening net book amount | – | – | – | – |
| Acquisition of subsidiaries *(Note 31(b))* | – | – | 1,568 | 1,568 |
| Closing net book amount | – | – | 1,568 | 1,568 |
| At 31 December 2014 | | | | |
| Cost | – | – | 1,568 | 1,568 |
| Accumulated amortisation and impairment | – | – | – | – |
| Net book amount | – | – | 1,568 | 1,568 |
| Year ended 31 December 2015 | | | | |
| Opening net book amount | **–** | **–** | **1,568** | **1,568** |
| Acquisition of subsidiaries *(Note 31(a))* | **222,222** | **279** | **–** | **222,501** |
| Amortisation | **–** | **(66)** | **–** | **(66)** |
| Exchange realignment | **–** | **(14)** | **–** | **(14)** |
| Closing net book amount | **222,222** | **199** | **1,568** | **223,989** |
| At 31 December 2015 | | | | |
| Cost | **222,222** | **955** | **1,568** | **224,745** |
| Accumulated amortisation and impairment | **–** | **(756)** | **–** | **(756)** |
| Net book amount | **222,222** | **199** | **1,568** | **223,989** |

The trademark user right and technical know-how was licensed exclusively to the Group for an infinite period at a nominal consideration at HK1, which comprises the trademarks of the Marsa brand in relation to the acquisition of the beauty and wellness business acquired in May 2015 (Note 31(a)) and the know-how of operating the said business, including but not limited to business and operating models and technical skills for the beauty and wellness business. As a result, the trademark user right and technical know-how is considered by management of the Group as having an indefinite useful life and will not be amortised.

## 16 TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS *(Continued)*

The medical license was used by the beauty and wellness business and has a useful life of 10 years. Hence, amortisation is provided on a straight-line basis over 10 years.

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 INVENTORIES

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials and consumables | **6,831** | 696 |

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2015 amounted to approximately HK$15,534,000 (2014: HK$139,595,000) (Note 7).

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | **Loans and receivables** | **Financial assets at fair value** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Assets as per statement of financial position** | | |
| At 31 December 2015 | | |
| Derivative financial instruments | | |
| – Put option | **–** | **5,910** |
| – Early redemption option | **–** | **22,546** |
| Trade and other receivables, excluding prepayments | **141,775** | **–** |
| Loans receivable | **51,000** | **–** |
| Cash and cash equivalents | **53,129** | **–** |
| | **245,904** | **28,456** |
| At 31 December 2014 | | |
| Trade and other receivables, excluding prepayments | 145,058 | – |
| Loans receivable | 19,000 | – |
| Cash and cash equivalents | 131,205 | – |
| | 295,263 | – |

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

| | **Financial liabilities at fair value** *HK$'000* | **Financial liabilities at amortised cost** *HK$'000* |
|---|---|---|
| **Liabilities as per statement of financial position** | | |
| At 31 December 2015 | | |
| Convertible bonds | **–** | **50,151** |
| Bonds payable | **–** | **9,705** |
| Contingent consideration payable | **49,247** | **–** |
| Trade and other payables, excluding membership deposits received | **–** | **38,021** |
| | **49,247** | **97,877** |
| At 31 December 2014 | | |
| Convertible bonds | – | 8,584 |
| Contingent consideration payable | 273 | – |
| Trade and other payables, excluding membership deposits received | – | 17,665 |
| | 273 | 26,249 |

## 19 TRADE RECEIVABLES

| | **2015** *HK$'000* | 2014 *HK$'000* |
|---|---|---|
| Trade receivables | **150,972** | 163,304 |
| Less: Provision for discount on past due balances | **(51,979)** | (51,979) |
| | **98,993** | 111,325 |

The Group's trade receivables are generally with credit periods of 90 days (2014: 90 days). 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.

The carrying amounts of trade receivables approximate their fair values.

## 19 TRADE RECEIVABLES *(Continued)*

The ageing analysis of trade receivables as at 31 December 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **1,396** | 2,772 |
| 31 – 60 days | **874** | 44 |
| 61 – 90 days | **473** | 37 |
| 91 – 180 days | **86** | 2,626 |
| Over 180 days | **148,143** | 157,825 |
| | **150,972** | 163,304 |

Management assessed the credit quality of those trade receivables of approximately HK$2,743,000 (2014: HK$2,853,000) 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 2015, trade receivables of approximately HK$148,229,000 (2014: HK$160,451,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 91 – 180 days | **86** | 2,626 |
| Over 180 days | **148,143** | 157,825 |
| | **148,229** | 160,451 |

Up to 31 December 2015, the Group has made provision of approximately HK$51,979,000 to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **51,979** | 41,378 |
| Charged to the consolidated statement of profit or loss | **–** | 10,601 |
| At 31 December | **51,979** | 51,979 |

## 19 TRADE RECEIVABLES *(Continued)*

Trade receivables are denominated in the following currencies:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Hong Kong dollars | – | 1,900 |
| Renminbi | **2,924** | 7,136 |
| US dollars | **148,048** | 154,268 |
| | **150,972** | 163,304 |

## 20 LOANS RECEIVABLE

The loans receivable are denominated in Hong Kong dollars, unsecured, bear interest at 13% p.a., and repayable within one year. The carrying amount of the loans receivable approximate their fair value.

## 21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Prepayments | **8,092** | 4,489 |
| Deposit paid for establishment of an associated company *(Note)* | **25,110** | 25,110 |
| Other deposits paid | **7,639** | 2,805 |
| Other receivables | **10,033** | 5,818 |
| | **50,874** | 38,222 |

*Note:* This deposit was paid for the establishment of an associated company. During the year, Green Capital has completed the disposal of its interests in the associated company, the Group is currently under negotiation for the return of the deposit.

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Hong Kong dollars | **9,485** | 1,926 |
| Renminbi | **41,389** | 34,447 |
| US dollars | – | 1,818 |
| Euro | – | 31 |
| | **50,874** | 38,222 |

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

## 22 CASH AND CASH EQUIVALENTS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Cash at banks and on hand | **53,129** | 131,205 |

Cash and cash equivalents are denominated in the following currencies:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Hong Kong dollars | **34,958** | 91,869 |
| Renminbi | **17,899** | 36,799 |
| US dollars | **272** | 414 |
| Euro | **–** | 2,123 |
| | **53,129** | 131,205 |

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

## 23 SHARE CAPITAL

### Authorised capital

| | Number of shares | Nominal value HK$'000 |
|---|---|---|
| At 1 January 2014, 31 December 2014 and 31 December 2015, ordinary shares of HK$0.01 each | **4,000,000,000** | **40,000** |

## 23 SHARE CAPITAL *(Continued)*

### Issued and fully paid capital

| | Number of shares | Nominal value |
|---|---|---|
| | | *HK$'000* |
| At 1 January 2014 | 1,218,983,724 | 12,190 |
| Issue of shares upon exercise of share options *(Note (a)(i))* | 1,000,000 | 10 |
| Issue of shares upon conversion of convertible bonds *(Note (a)(ii))* | 51,080,000 | 511 |
| Issue of shares upon conversion of convertible bonds *(Note (a)(iii))* | 60,000,000 | 600 |
| Issue of shares upon completion of an open offer *(Note (a)(iv))* | 399,319,117 | 3,993 |
| Issue of shares upon exercise of share options *(Note (a)(v))* | 7,000,000 | 70 |
| Issue of shares upon conversion of convertible bonds *(Note (a)(vi))* | 116,279,069 | 1,163 |
| At 31 December 2014 | **1,853,661,910** | **18,537** |
| Issue of shares upon conversion of convertible bonds *(Note (a)(vii))* | **58,139,534** | **581** |
| Issue of shares upon conversion of convertible bonds *(Note (a)(viii))* | **60,651,162** | **607** |
| At 31 December 2015 | **1,972,452,606** | **19,725** |

*Notes:*

(a) Issue of new shares

(i) 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.

(ii) 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 24(b)).

(iii) 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 24(c)).

(iv) 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.

## 23 SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

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

(v) 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 (iv) 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.

(vi) 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 (iv) above) per share and, accordingly, the Company allotted and issued a total of 116,279,069 shares to the convertible bond holders (Note 24(c)).

(vii) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK$25,000,000 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 (iv) above) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders (Note 24(b)).

(viii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK$26,080,000 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 (iv) above) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders (Note 24(b)).

(b) Share option scheme

On 2 September 2006, 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 eligible participants (as defined under the Share Option Scheme) 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%.

The volatility and dividend yield reflects the assumptions that the historical volatility and dividend yield are indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the options is not necessarily indicative of the exercise patterns that may occur.

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

(iii) 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.

## 23 SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

(b) Share option scheme *(Continued)*

(iv) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

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

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **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 | **0.32** | **55,800,000** | 0.37 | 63,800,000 |
| Exercised | **–** | **–** | 0.33 | (8,000,000) |
| At 31 December | **0.32** | **55,800,000** | 0.32 | 55,800,000 |

| | **2015** | 2014 |
|---|---|---|
| – Number of share options exercisable at year ended | **55,800,000** | 55,800,000 |
| – Range of exercise prices | **HK$0.32** | HK$0.32 |
| – Weighted average remaining contractual life | **6.35 years** | 7.35 years |

## 24 CONVERTIBLE BONDS

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

| | 1st Tai Cheng CB | Big Point CB | Shanghai Zhenrong CB | Ms. You CB | 2nd Tai Cheng CB | 2015 CB | 1st Marsa CB | 3rd Tai Cheng CB | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note (a))* | *(Note (b))* | *(Note (c))* | *(Note (c))* | *(Note (d))* | *(Note (e))* | *(Note (f))* | *(Note (g))* | |
| At 1 January 2014 | 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 |
| Analysed by maturity date as: | | | | | | | | | |
| Within one year and included under current liabilities | – | – | – | – | – | – | – | – | – |
| Over one year and included under non-current liabilities | 4,781 | – | – | – | 3,803 | – | – | – | 8,584 |
| | 4,781 | – | – | – | 3,803 | – | – | – | 8,584 |
| At 1 January 2015 | **4,781** | **–** | **–** | **–** | **3,803** | **–** | **–** | **–** | **8,584** |
| Issue of convertible bonds | **–** | **–** | **–** | **–** | **–** | **29,000** | **–** | **305** | **29,305** |
| Direct issue costs | **–** | **–** | **–** | **–** | **–** | **(952)** | **–** | **–** | **(952)** |
| Equity component on initial recognition | **–** | **–** | **–** | **–** | **–** | **(6,929)** | **–** | **–** | **(6,929)** |
| Acquisitions of subsidiaries *(Note 31(a))* | **–** | **–** | **–** | **–** | **–** | **–** | **41,000** | **–** | **41,000** |
| Right of conversion exercised by bondholders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Written back pursuant to profit guarantee *(Note 8)* | **–** | **–** | **–** | **–** | **–** | **–** | **(27,331)** | **–** | **(27,331)** |
| Interest expenses *(Note 8)* | **701** | **–** | **–** | **–** | **577** | **2,451** | **2,729** | **16** | **6,474** |
| At 31 December 2015 | **5,482** | **–** | **–** | **–** | **4,380** | **23,570** | **16,398** | **321** | **50,151** |
| Analysed by maturity date as: | | | | | | | | | |
| Within one year and included under current liabilities | **5,482** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **5,482** |
| Over one year and included under non-current liabilities | **–** | **–** | **–** | **–** | **4,380** | **23,570** | **16,398** | **321** | **44,669** |
| | **5,482** | **–** | **–** | **–** | **4,380** | **23,570** | **16,398** | **321** | **50,151** |

The fair value of the liability components of the convertible bonds at 31 December 2015 amounted to approximately HK$58,742,000 (2014: HK$10,550,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2014: 5%).

The values of the liability components and the equity components were determined at issuance of the convertible bonds. The fair values of the liability components were calculated using market interest rates for equivalent nonconvertible bonds. The residual amounts, representing the values of the equity conversion options, are included in equity within other reserves (with the exception of the 1st Marsa CB, which is detailed in note (f) below).

## 24 CONVERTIBLE BONDS *(Continued)*

As at 31 December 2015, there were outstanding convertible bonds in the aggregate principal amount of approximately HK$95,519,000 (2014: HK$62,872,000) which are convertible into 224,911,386 (2014: 146,213,434) shares of the Company.

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2015 and 2014 were as follows:

(a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited ("Tai Cheng") (Note 26(b)), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in the 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 23(a)(iv)), 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.

Subsequent to the end of the reporting period, due to the completion of issue of certain convertible bonds (Note 36), the conversion price of the 1st Tai Cheng CB was adjusted from HK$0.43 per share to HK$0.42 per share with effect from 15 January 2016.

(b) Pursuant to the sale and purchase agreement to the acquisition of Big Point (Note 31(b)(i)), 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 23(a)(ii)).

## 24 CONVERTIBLE BONDS *(Continued)*

(b) *(Continued)*

Due to the completion of an open offer on 19 August 2014 (Note 23(a)(iv)), 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.

The remaining Big Point CB in the principal amount of HK$25,000,000 and HK$26,080,000 were converted into 58,139,534 and 60,651,162 shares of the Company on 30 January 2015 and 17 April 2015, respectively (Note 23(a)(vii) & (viii)).

(c) 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 31(b)(i)) 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.

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 23(a)(iii)).

Due to the completion of an open offer on 19 August 2014 (Note 23(a)(iv)), 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 23(a)(vi)).

## 24 CONVERTIBLE BONDS *(Continued)*

(d) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 26(b)), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in the 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.

Subsequent to the end of the reporting period, due to the completion of issue of certain convertible bonds (Note 36), the conversion price of the 2nd Tai Cheng CB was adjusted from HK$0.43 per share to HK$0.42 per share with effect from 15 January 2016.

(e) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited ("ASA Securities"), pursuant to which ASA Securities 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 which are convertible into, at an initial conversion price of 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 the 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 placing was completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK$29,000,000 (the "2015 CB"), which is convertible into 87,878,787 shares of the Company was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The effective interest rate of the 2015 CB was 14.39% per annum. The proceeds was used for acquisitions and as working capital of the Group.

(f) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 31(a)), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK$54,250,000 (the "1st Marsa CB") (Note 26(a)) to Mr. Chung Sum Sang ("Mr. Chung") and Ms. Eva Au ("Ms. Au") as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 31(a)), to maturity at an initial conversion price of HK$0.50 per share (subject to adjustments).

## 24 CONVERTIBLE BONDS *(Continued)*

(f) *(Continued)*

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK$41,000,000 by using the discounted cash flow model. The fair value estimate was based on assumed discount rate of 11.24% and the Directors' expectation on the amount of the 1st Marsa CB to be redeemed or cancelled (if any). Based on the 2015 consolidated net profit after tax of Marsa, it is expected that principal amount of approximately HK$33,900,000 (carrying amount being approximately HK$27,331,000) in the 1st Marsa CB shall be redeemed and cancelled pursuant to the profit guarantee as provided by the vendors (Note 31(a)).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option were initially recognised at the date of acquisition at approximately HK$22,847,000 and HK$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 31 December 2015, the equity component amounting to approximately HK$8,568,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2015 at fair value of approximately HK$3,713,000, with decrease in fair value of approximately HK$16,487,000 recognized in the consolidated statement of profit or loss.

(g) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 26(b)), the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in the aggregate principal amount of HK$477,241 (the "3rd Tai Cheng CB") to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 8 September 2018. The 3rd 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 3rd Tai Cheng CB was 18.15% per annum.

Subsequent to the end of the reporting period, due to the completion of issue of certain convertible bonds (Note 36), the conversion price of the 3rd Tai Cheng CB was adjusted from HK$0.43 per share to HK$0.42 per share with effect from 15 January 2016.

## 25 BONDS PAYABLE

On 26 October 2015, the Company entered into a placing agreement with AMTD Asset Management Limited ("AMTD"), pursuant to which AMTD has conditionally agreed with the Company to place, on a best effort basis, bonds up to a total principal amount of HK$50,000,000 to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The bonds are denominated in Hong Kong dollars, unsecured, bear interest at 7% per annum for the first two years and at 10% per annum for the third year and will be matured on the date falling on the third anniversary of the issue of the bonds. The aggregate interests for the first two years after completion of issue of the bonds shall be payable in advance on the completion of issue of each bond, with the interest for the third year be payable on the first business day after the second anniversary. The bondholders may, at its sole discretion, on the second anniversary of the issue date of any bond duly issued by the Company, by serving a notice to the Company and demand redemption of the bond as effective on the second anniversary (in whole or in part) by the Company at 100% of the total amount of such bond.

Up to 31 December 2015, bonds in the aggregate principal amount of HK$14,000,000 was successfully placed by AMTD to two placees who are third parties independent of the Company and its connected persons. The effective interest rates of the bonds were 11.15% to 11.72% per annum. The proceeds shall be used for potential acquisitions and as working capital of the Group. There were no successful bond placings by AMTD subsequent to the reporting period and up to the date of this report.

The fair value of the bonds at 31 December 2015 amounted to approximately HK$13,383,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5%.

The fair values of the bonds at issuance were calculated using market interest rates for equivalent bonds. The difference between the fair value at issuance and the net proceeds and the net proceeds received was recognised within other income and gains (Note 6) in the consolidated statement of profit or loss.

As at 31 December 2015, there were outstanding bonds in the aggregate principal amount of HK$14,000,000.

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

| | **2015** |
|---|---|
| | ***HK$'000*** |
| At 1 January 2015 | – |
| Issue of bonds | **14,000** |
| Direct issue costs | **(1,470)** |
| Gain on issue of bonds *(Note 6)* | **(922)** |
| Interests paid | **(1,960)** |
| Interest expense *(Note 8)* | **57** |
| At 31 December 2015 | **9,705** |

## 26 CONTINGENT CONSIDERATION PAYABLE

The Group's contingent consideration payables arises from two acquisitions completed by the Group detailed as follows.

(a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 31(a)), part of the consideration shall be settled by the issue of the Marsa CB in 3 tranches of principal amount of HK$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in Note 31(a)) and may be redeemed or cancelled by the Company with reference to the profit guarantee.

The Marsa CB, when issued, will be denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue), will mature on the date falling on the third anniversary of the date of issue. Interest will be payable on the maturity date if the Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK$0.50 per share (subject to adjustments). The Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the Marsa CB with reference to the profit guarantee, to maturity at an initial conversion price of HK$0.50 per share (subject to adjustments).

The Company issued the first tranche of the Marsa CB in May 2015 in the aggregate principal amount of HK$54,250,000 (Note 24(f)).

A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component was subsequently measured as at 31 December 2015 at fair value of approximately HK$49,247,000, with decrease in fair value of approximately HK$19,786,000 recognised within finance costs, net in the consolidated statement of profit or loss.

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option were initially recognised at the date of acquisition at approximately HK$53,061,000 and HK$50,036,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%. As at 31 December 2015, the equity component amounting to approximately HK$35,577,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2015 at fair value of approximately HK$18,833,000, with decrease in fair value of approximately HK$31,203,000 recognized in the consolidated statement of profit or loss.

## 26 CONTINGENT CONSIDERATION PAYABLE *(Continued)*

(b) 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 the conversion price of HK$0.43 per share (as adjusted to reflect the open offer as detailed in Note 23(a)(iv)) (subject to adjustments).

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in the respective aggregate principal amounts of HK$6,163,639, HK$5,628,138 and HK$477,241 (Note 24(a), (d) & (g)).

A liability component and an equity component were classified at initial recognition of the Tai Cheng CB.

The fair value of the liability component 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. During the year, increase in fair value of approximately HK$32,000 (2014: decrease of HK$2,112,000) was recognised within finance costs, net in the consolidated statement of profit or loss.

The equity component, 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 2015, there were no amounts under equity component as all 3 tranches of the Tai Cheng CB were already issued. As at 31 December 2014, the equity component amounting to approximately HK$301,000, was included in equity within other reserves.

## 26 CONTINGENT CONSIDERATION PAYABLE *(Continued)*

The liability components of the contingent consideration payables recognised in the consolidated statement of financial position were calculated as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **273** | 6,099 |
| Acquisition of subsidiaries *(Note 31(a))* | **69,033** | – |
| Fair value changes *(Note 8)* | **(19,754)** | (2,112) |
| Issue of the 2nd Tai Cheng CB *(Note 24(d))* | **–** | (3,714) |
| Issue of the 3rd Tai Cheng CB *(Note 24(g))* | **(305)** | – |
| At 31 December | **49,247** | 273 |

## 27 DEFERRED TAX LIABILITIES

| | **Temporary difference between accounting base and tax base** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **–** | – |
| Acquisition of subsidiaries *(Note 31(a))* | **22,222** | – |
| At 31 December | **22,222** | – |

## 28 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **1,237** | 430 |
| 31 – 60 days | **768** | 303 |
| 61 – 90 days | **658** | 17 |
| 91 days – 1 year | **944** | 52 |
| Over 1 year | **2,413** | 2,830 |
| | **6,020** | 3,632 |

## 28 TRADE PAYABLES *(Continued)*

Trade payables are denominated in the following currencies:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Renminbi | **6,020** | 3,580 |
| US dollars | – | 52 |
| | **6,020** | 3,632 |

The carrying amounts of trade payables approximate their fair values.

## 29 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Accruals | **16,136** | 3,150 |
| Membership deposits received | **19,151** | 11,233 |
| Other deposits received (Note) | **11,941** | – |
| Other payables | **3,924** | 10,883 |
| | **51,152** | 25,266 |

*Note:* This represents deposit received by the Group pursuant to the proposed issue of convertible bonds announced on 17 December 2015.

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Hong Kong dollars | **2,584** | 1,423 |
| Renminbi | **48,568** | 23,843 |
| | **51,152** | 25,266 |

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

## 30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Cash used in operations

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Loss before income tax | | **(206,227)** | (98,057) |
| Adjustment for: | | | |
| – Depreciation of property, plant and equipment | 14 | **8,735** | 6,920 |
| – Provision for impairment of property, plant and equipment | 14 | **10,240** | – |
| – Provision for impairment of goodwill | 15 | **160,877** | 29,759 |
| – Amortisation of other intangible assets | 16 | **66** | – |
| – Fair value change of derivative financial instruments Early redemption option | 24(f) & 26(a) | **47,690** | – |
| – Discount on past due balances of trade receivables | 19 | **–** | 10,601 |
| – Gain on issue of bonds payable | 25 | **(922)** | – |
| – Gain on bargain purchase on acquisition of subsidiaries | 31(a) | **(36,918)** | – |
| – Other payables written off | 6 | **(4,035)** | – |
| – Gain on disposal of a subsidiary | 32 | **–** | (261) |
| – Finance (income)/costs, net | 8 | **(45,605)** | 4,255 |
| | | **(66,099)** | (46,783) |
| Changes in working capital: | | | |
| – Inventories | | **7,436** | 330 |
| – Trade receivables | | **12,340** | 160,577 |
| – Prepayments, deposits and other receivables | | **(5,738)** | (27,564) |
| – Trade payables | | **541** | (141,866) |
| – Other payables, accruals and deposits received | | **66** | (8,880) |
| – Amount due to a Director | | **(8,809)** | – |
| – Amount due from/to a non-controlling shareholder of a subsidiary | | **–** | 3,764 |
| Cash used in operations | | **(60,263)** | (60,422) |

### Significant non-cash transactions

In addition to the acquisition and disposal of subsidiaries (Note 31 and 32), the Group has the following material non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) fair value change of put option directly recognised within equity (Note 31(a));

(b) conversion of convertible bonds (Notes 23(a)(ii), (iii), (vi), (vii) and (viii));

(c) issue of certain convertible bonds pursuant to acquisition of subsidiaries (Notes 24(b), (d), (f) and (g)); and

(d) fair value change of the equity components of convertible bonds (Note 24(f)) and contingent consideration payable (Note 26) directly recognised within equity.

## 31 ACQUISITION OF SUBSIDIARIES

(a) On 21 November 2014, the Company, Mr. Chung and 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, 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 HK$54,250,000 shall be settled in cash and the remaining consideration of not more than HK$162,750,000 shall be settled by the issue of the Marsa CB (Note 26(a)).

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (literally translated as Shenzhen Marsa Guer Chain Enterprise Limited, "Marsa"). Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK$20,000,000 were paid to Mr. Chung and Ms. Au before 31 December 2014. The acquisition was subsequently completed in May 2015, the remaining cash consideration of HK$34,250,000 was paid and the 1st Marsa CB (Note 24(f)) was issued to Mr. Chung and Ms. Au as partial satisfaction of the consideration. The remaining Marsa CB shall be issued on the 1st and the 2nd anniversary of the date of acquisition.

The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au, who have undertaken that the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000 for each year. In the event that it is less than RMB20,000,000, the Company shall redeem and cancel in whole or part of the corresponding Marsa CB at HK$1 based on the shortfall with reference to the profit guarantee of RMB20,000,000.

Besides, in the case that all of the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to request Mr. Chung and Ms. Au to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently measured as at 31 December 2015 at fair value of approximately HK$5,910,000, with decrease in fair value of approximately HK$19,080,000 recognised directly in equity within other reserves.

Revenue and net profit of approximately HK$21,668,000 and HK$6,246,000, respectively, from Rainbow Star and its subsidiaries were contributed to the Group since its acquisition to 31 December 2015.

## 31 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

The following table summarises the recognised fair values of the consideration for the acquisition of Marsa and its subsidiaries, the assets acquired and liabilities assumed.

| | **Fair values recognised** *HK$'000* |
|---|---|
| **Purchase consideration** | |
| Cash deposits paid in 2014 | **20,000** |
| Cash paid in current year | **34,250** |
| Fair value of the 1st Marsa CB issued on completion of acquisition *(Note 24(f))* | |
| —Liability component | **41,000** |
| —Equity component | **22,847** |
| —Early redemption option | **(20,200)** |
| Fair value of the Marsa CB to be issued *(Note 26(a))* | |
| —Liability component | **69,033** |
| —Equity component | **53,061** |
| —Early redemption option | **(50,036)** |
| Total purchase consideration | **169,955** |
| **Identifiable assets acquired and liabilities assumed on acquisition date** | |
| Property, plant and equipment *(Note 14)* | **12,179** |
| Trademark user right and technical know-how *(Note 16)* | **222,222** |
| Other intangible assets *(Note 16)* | **279** |
| Inventories | **13,571** |
| Trade receivables | **8** |
| Prepayments, deposits and other receivables | **2,001** |
| Cash and cash equivalents | **4,712** |
| Trade payables | **(1,847)** |
| Other payables, accruals and deposits received | **(13,879)** |
| Amount due to a director | **(8,809)** |
| Deferred tax liability *(Note 27)* | **(22,222)** |
| Total identifiable net assets acquired | **208,215** |
| Non-controlling interests | **(1,342)** |
| Gain on bargain purchase on acquisition of subsidiaries | **(36,918)** |
| | **169,955** |

## 31 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in the current year in respect of the acquisition is as follows:

| | **Fair values recognised** *HK$'000* |
|---|---|
| Cash and cash equivalents acquired | **4,712** |
| *Less:* Consideration satisfied by cash in the current year | **(34,250)** |
| Net cash outflow on acquisition of subsidiaries in the current year | **(29,538)** |

(b) (i) On 16 December 2013, the Company, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, "Green Capital"), 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, a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 shall be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK$76,620,000) shall be settled by the issue of the Big Point CB (Note 24(b)).

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). Green Silver Lake is the major operating subsidiary of Big Point. Big Point and its 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, and the Big Point CB was issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition (Note 24(b)).

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 Green Silver Lake 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 Green Silver Lake 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 Big Point and its subsidiaries were contributed to the Group for the period from 30 January 2014 to 31 December 2014.

## 31 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

(ii) 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 sonin-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.

(iii) 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.

## 31 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

The following table summarises the considerations for the acquisitions of Big Point and its subsidiaries, Hung Cheong and Marsa Investment, and the fair values of the assets acquired and liabilities assumed recognised on the acquisition date.

| | Fair values recognised on acquisition | | | |
|---|---|---|---|---|
| | Big Point Group | Hung Cheong | Marsa Investment | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Purchase consideration** | | | | |
| – Cash paid in prior year | – | 2,000 | 10 | 2,010 |
| – Cash deposit paid in 2013 | 88,692 | – | – | 88,692 |
| – Big Point CB issued *(Note 24(b))* | 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 |

## 31 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

An analysis of the net inflow/outflow of cash and cash equivalents in 2014 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 2014 | – | (2,000) | (10) | (2,010) |
| Net cash inflow/(outflow) on acquisition of subsidiaries in 2014 | 906 | (1,986) | (10) | (1,090) |

## 32 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.

## 32 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 |

## 33 COMMITMENTS

### (a) Capital commitments

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised but not contracted for: | | |
| – Construction of property, plant and equipment | **25,850** | 27,375 |
| Contracted but not provided for: | | |
| – Construction of property, plant and equipment | **1,519** | – |
| – Acquisition of subsidiaries *(Note 31(a))* | **–** | 34,250 |
| | **27,369** | 61,625 |

Save as disclosed as above, on 28 October 2015, Green Capital, Mr. Qian Xuequan and Mr. Lu Jiang entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of 51% equity interest in New Era Development Limited. New Era Development Limited is a company incorporated in the Republic of Fiji with limited liability and will be principally engaged in the provision of therapy, health, tourism and vacation services in the Republic of Fiji. The consideration of the possible acquisition is to be determined with reference to (i) the profit guarantee as given by Mr. Qian Xuequan and Mr. Lu Jiang; (ii) the business prospects of New Era Development Limited; and/or (iii) valuation of New Era Development Limited by an independent valuer. 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:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not later than 1 year | **18,407** | 9,863 |
| Later than 1 year but not later than 5 years | **48,681** | 46,392 |
| | **67,088** | 56,255 |

## 34 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Key management compensation

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Wages, salaries and other short-term employee benefits | 7,283 | 3,712 |
| Pension costs – defined contribution plans | 72 | 68 |
| | 7,355 | 3,780 |

### (b) Transactions

Save as the acquisitions of subsidiaries from Dr. Yang, Ms. Tan and Mr. Siu as disclosed in Note 31(b)(ii) and (iii), material transactions carried out between the Group and Dr. Yang and related companies beneficially owned by Dr. Yang are summarised as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Interest paid | – | 527 |
| Rentals paid | 300 | 699 |

## 35 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015 and 2014.

## 36 SUBSEQUENT EVENTS

On 27 November 2015, the Company entered into a subscription agreement with Mr. Yang Yuezhou in relation to the issue of convertible bonds in an aggregate principal amount of HK$40,000,000. The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 8% per annum and will be matured on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the convertible bonds are neither converted nor redeemed prior to the maturity date. The convertible bonds are convertible into shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.20 per share (subject to adjustments). The proceeds is intended to be used for potential acquisitions and as working capital of the Group.

Subsequent to the end of the reporting period, the convertible bonds were issued to a nominee of Mr. Yang Yuezhou on 15 January 2016.

Due to the completion of issue of the above convertible bonds, the conversion prices of the 1st Tai Cheng CB, the 2nd Tai Cheng CB and the 3rd Tai Cheng CB were adjusted from HK$0.43 per share to HK$0.42 per share with effect from 15 January 2016.

# Notes to the Consolidated Financial Statements

## 37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY
## As at 31 December 2015

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investments in subsidiaries *(Note a)* | **169,955** | – |
| Derivative financial instruments | | |
| – Put option | **5,910** | – |
| – Early redemption option | **22,546** | – |
| Deposit paid for acquisition of subsidiaries | **–** | 20,000 |
| | **198,411** | 20,000 |
| **Current assets** | | |
| Prepayments, deposits and other receivables | **5,091** | 4,877 |
| Amounts due from subsidiaries *(Note b)* | **407,883** | 341,325 |
| Cash and cash equivalents | **21,487** | 89,384 |
| | **434,461** | 435,586 |
| **Total assets** | **632,872** | 455,586 |
| **EQUITY** | | |
| **Capital and reserves attributable to the equity holders of the Company** | | |
| Share capital *(Note 23)* | **19,725** | 18,537 |
| Share premium | **544,946** | 495,054 |
| Other reserves | **74,802** | 68,597 |
| Accumulated losses | **(130,188)** | (136,336) |
| **Total equity** | **509,285** | 445,852 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Convertible bonds | **44,669** | 8,584 |
| Bonds payable | **9,705** | – |
| Contingent consideration payables | **49,247** | – |
| | **103,621** | 8,584 |
| **Current liabilities** | | |
| Other payables, accruals and deposits received | **14,484** | 1,150 |
| Convertible bonds | **5,482** | – |
| | **19,966** | 1,150 |
| **Total liabilities** | **123,587** | 9,734 |
| **Total equity and liabilities** | **632,872** | 455,586 |
| **Net current assets** | **414,495** | 434,436 |
| **Total assets less current liabilities** | **612,906** | 454,436 |

On behalf of the Board

**Yang Wang Jian**
*Director*

**Wong Man Keung**
*Director*

## 37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

*Note:*

**(a)** 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 2015 and 2014 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/ registered or paid-in capital | Equity interests attributable to the Company Direct | | Indirect | | Principal activities and places of operations |
|---|---|---|---|---|---|---|---|
| | | | **2015** | 2014 | **2015** | 2014 | |
| 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 | The BVI, 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[1] | The PRC, wholly-owned foreign enterprise | RMB19,830,000 | **–** | – | **–** | – | 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)[2] | The PRC, wholly-owned foreign enterprise | RMB14,696,820 | **–** | – | **100%** | 100% | Operations of clubhouse business in the PRC |

## 37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

*Note: (Continued)*

**(a)** *(Continued)*

| Company name | Places of incorporation/ establishment and kind of legal entity | Issued and fully paid-up share capital/ registered or paid-in capital | Equity interests attributable to the Company Direct 2015 | Direct 2014 | Indirect 2015 | Indirect 2014 | Principal activities and places of operations |
|---|---|---|---|---|---|---|---|
| 深圳市瑪莎嘉兒連鎖實業有限公司[3] | The PRC, wholly-owned foreign enterprise | RMB10,000,000 | – | – | 100% | – | Operations of beauty and wellness business in the PRC |
| 深圳市瑪莎康盈生物科技有限公司[3] | The PRC, wholly-owned foreign enterprise | RMB1,000,000 | – | – | 100% | – | Operations of beauty and wellness business in the PRC |
| 深圳市瑪莎麗之莎諮詢管理有限公司[3] | The PRC, wholly-owned foreign enterprise | RMB10,000,000 | – | – | 100% | – | Operations of beauty and wellness business in the PRC |
| Marsa Management Limited[3] | Hong Kong, limited liability | HK$10 | – | – | 100% | – | Intangible assets management in Hong Kong and the PRC |

1 Disposed of in September 2014 *(Note 32)*
2 Acquired in January 2014 *(Note 31(b)(i))*
3 Acquired in May 2015 *(Note 31(a))*

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 2015 | 2014 |
|---|---|---|
| Operations of clubhouse business in the PRC | 1 | 1 |
| Investment holding in Hong Kong | 9 | 5 |
| Investment holding in the PRC | 2 | – |
| | 12 | 6 |

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

## 37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

*Note:*

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

**(c) Reserves**

| | Share premium | Share-based equity reserve* | Convertible bonds – equity component reserve* | Put option reserve* | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2014 | 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 23(a)(i))* | 564 | (204) | – | – | – | 360 |
| Acquisition of subsidiaries *(Note 31(b)(i))* | – | – | 76,620 | – | – | 76,620 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(ii))* | 25,029 | – | (25,540) | – | – | (511) |
| Issue of convertible bonds *(Note 24(c))* | – | – | 12,725 | – | – | 12,725 |
| Issue of convertible bonds *(Note 24(c))* | – | – | 7,436 | – | – | 7,436 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(iii))* | 30,421 | – | (7,436) | – | – | 22,985 |
| Issue of shares upon completion of an open offer *(Note 23(a)(iv))* | 174,014 | – | – | – | – | 174,014 |
| Issue of shares upon exercise of share options *(Note 23(a)(v))* | 3,600 | (1,430) | – | – | – | 2,170 |
| Issue of convertible bonds *(Note 24(d))* | – | – | 3,160 | – | – | 3,160 |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(vi)* | 53,037 | – | (12,725) | – | – | 40,312 |
| At 31 December 2014 | **495,054** | **11,394** | **57,203** | **–** | **(136,336)** | **427,315** |
| Loss for the year | **–** | **–** | **–** | **–** | **(25,615)** | **(25,615)** |
| Acquisition of subsidiaries *(Note 31(a))* | **–** | **–** | **75,908** | **24,990** | **–** | **100,898** |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(vii))* | **24,419** | **–** | **(25,000)** | **–** | **–** | **(581)** |
| Issue of convertible bonds *(Note 24(e))* | **–** | **–** | **6,929** | **–** | **–** | **6,929** |
| Issue of shares upon conversion of convertible bonds *(Note 23(a)(viii))* | **25,473** | **–** | **(26,080)** | **–** | **–** | **(607)** |
| Issue of convertible bonds *(Note 24(g))* | **–** | **–** | **301** | **–** | **–** | **301** |
| Fair value change of put option *(Note 31(a))* | **–** | **–** | **–** | **(19,080)** | **–** | **(19,080)** |
| Fair value change of contingent consideration payable *(Note 26(a))* | **–** | **–** | **(31,763)** | **–** | **31,763** | **–** |
| At 31 December 2015 | **544,946** | **11,394** | **57,498** | **5,910** | **(130,188)** | **489,560** |

* The other reserves as presented in the statement of financial position are comprised of these reserve accounts.

## 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 year ended 31 December 2011 had been disclaimed by the auditors of the Company. Details of the disclaimer of opinion of the auditors have been set out in the 2011 annual report of the Company.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **RESULTS** | | | | | |
| REVENUE | **45,620** | 160,940 | 583,057 | 441,551 | 572,267 |
| Costs of sales | **(18,595)** | (147,899) | (572,393) | (363,017) | (498,999) |
| Gross profit | **27,025** | 13,041 | 10,664 | 78,534 | 73,268 |
| Other income and gains | **9,902** | 1,021 | 531 | 994 | 2,979 |
| Gain on bargain purchase on acquisition of subsidiaries | **36,918** | – | – | – | – |
| Gain on group restructuring | **–** | – | – | – | 300,248 |
| Selling expenses | **(29,767)** | (25,877) | (1,215) | (1,385) | (5,553) |
| Administrative expenses | **(77,103)** | (41,627) | (22,778) | (31,935) | (25,067) |
| Fair value change of derivative financial instruments | | | | | |
| – Early redemption option | **(47,690)** | – | – | – | – |
| Provision for impairment of property, plant and equipment | **(10,240)** | – | (1,128) | – | – |
| Provision for impairment of goodwill | **(160,877)** | (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) |
| Write back of provision for legal claims | **–** | – | – | – | – |
| Write back of provision for amount due from a former subsidiary | **–** | – | – | – | – |
| Finance income/(costs), net | **45,605** | (4,255) | 225 | (7,790) | (5,529) |
| (LOSS)/PROFIT BEFORE INCOME TAX | **(206,227)** | (98,057) | (44,291) | 34,049 | 315,473 |
| Income tax expense | **(2,624)** | (728) | (1,444) | (12,145) | (10,203) |
| (LOSS)/PROFIT FOR THE YEAR | **(208,851)** | (98,785) | (45,735) | 21,904 | 305,270 |
| (Loss)/Profit for the year attributable to: | | | | | |
| Equity holders of the Company | **(205,103)** | (99,147) | (48,947) | 18,769 | 305,270 |
| Non-controlling interests | **(3,748)** | 362 | 3,212 | 3,135 | – |
| | **(208,851)** | (98,785) | (45,735) | 21,904 | 305,270 |

# 5 Years' Financial Summary

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | | | |
| TOTAL ASSETS | **539,127** | 499,372 | 516,392 | 394,429 | 483,517 |
| TOTAL LIABILITIES | **(191,128)** | (37,766) | (299,057) | (194,052) | (378,580) |
| Non-controlling interests | **(4,257)** | (6,876) | (6,580) | (3,216) | – |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | **343,742** | 454,730 | 210,755 | 197,161 | 104,937 |