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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

Mr. Yu Xueming (*Chairman*) (appointed on 4 June 2014)

Mr. Yu Chuanfu (*Chief Executive Officer*)  
(appointed on 4 June 2014)

Mr. Sit Yau Chiu (appointed on 4 June 2014)

Mr. Zheng Qiang

Mr. Han Hanting

Mr. Yam Tak Cheung (resigned on 4 June 2014)

Ms. Wong Kan Kan, Kandy (resigned on 4 June 2014)

Mr. Wong Tat Wai, Derek (resigned on 4 June 2014)

### Non-executive director

Mr. Chan Yee, Herman

### Independent non-executive directors

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man

Mr. Zhao Li Xin (appointed on 31 December 2014)

Mr. Cheng Dickson (resigned on 1 October 2014)

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1208–10  
Dah Sing Financial Center  
108 Gloucester Road  
Wan Chai  
Hong Kong

## COMPANY SECRETARY

Mr. Chan King Keung

## AUTHORISED REPRESENTATIVES

Mr. Han Hanting

Mr. Chan King Keung

## BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## MEMBERS OF THE AUDIT COMMITTEE

Mr. Sin Ka Man (*Chairman*)

Mr. Wang Wei Hung, Andrew

Mr. Zhao Lixin

## MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Zhao Lixin (*Chairman*)

Mr. Yu Chuanfu

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man

## Corporate Information (Continued)

### MEMBERS OF THE NOMINATION COMMITTEE

Mr. Wang Wei Hung, Andrew (*Chairman*)  
Mr. Zhao Lixin  
Mr. Sin Ka Man

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

DBS Bank (Hong Kong) Limited  
11/F, The Centre  
99 Queen's Road Central  
Hong Kong

China Citic Bank International Limited  
80/F, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

### AUDITOR

SHINEWING (HK) CPA Limited  
43/F., The Lee Gardens  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### COMPANY'S WEBSITE

[www.1152.com.hk](http://www.1152.com.hk)

### STOCK CODE

1152

# Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Infinity Financial Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I am honored to update you on the Group's position, performance, prospect and present the annual results of the Group for the year ended 31 December 2014.

In 2014, the global economy was fulfilled with uncertainties due to the debt crisis, fiscal cliff and market expectation of tightening monetary policy by the Federal Reserve in the United States of America (the "USA"), and its declining Consumer Confidence Index caused an upward pressure in import demand; European's debt problem and the depreciation in Euros hit consumer purchasing power and resulted in a decline in its import capacity; Under such global economic environment of slow recovery, the People's Republic of China (the "PRC") has also entered into a "New Normal" period of a slower growth rate. Coping with the difficult environment in traditional export-manufacturing industry, and the continuously increasing costs in energy, transport and labour, the management team believes the prospect of the textile industry will be still in a tough time in the near future. As a result, the Board decided to cease the operation of the Group's textile segment in January 2015, and transform to the promising finance leasing industry in the PRC.

Finance leasing is a modern financial instrument that has become popular strategies for enterprises for renewal of their machinery technologies, and is developed to adapt the requirements of modern production and economic development. According to market research, the finance leasing market penetration rate in the PRC is only about 5%, while the numbers in European and American markets are about 20%, indicating a remarkable market potential. In accordance with the "Chinese Finance Leasing Industry Development Report 2014" published by the China Leasing Alliance, total balance of the domestic finance leasing industry has reached RMB3.2 trillion at the end of December 2014, marking an increase of 52.4% compared to RMB2.1trillion at the end of December 2013. The Board believes that with the support of favorable government policy, the finance leasing industry in the PRC will continue to maintain rapid development. Leveraging on the extensive business networks in the PRC through its subsidiary Shanxi Sino Top Leasing Company Limited and Rong Yuan Financial Leasing (Shanghai) Company Limited, the Group has full confidence to grasp opportunities and expand its market share, with an aim to maximize shareholders' interests.

Looking forward to 2015, the world economy will continue to recover; the domestic economy will remain under the pressure of declining and the promotion of reform will become increasingly tough and challenging. However, with implementation of the "Belt and Road" initiatives on building Silk Road Economic Belt and 21st-century Maritime Silk Road, the PRC is expecting a stabilizing growth around and within the country. Facing such challenges and opportunities, the Group, adhering to the "Innovation; Fusion; and Growth" concept, will commit to providing flexible and effective financing channels for domestic SMEs to serve their financial needs, promoting further development of the society's economy, and realizing the ultimate goal of growing together with the prosperity of the PRC.

On behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication, contribution and hard work. I wish to also express my gratitude to the business partners and shareholders of the Group for their unequivocal support and confidence in the Group.

**Yu Xueming**  
*Chairman*

27 March 2015

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE AND BUSINESS REVIEW

### Knitwear Business

The Group's textile segment is a knitwear manufacturer established in Hong Kong which manufactures an extensive assortment of knitwear products ranging from classically styled wardrobe basis to high quality fashion apparel. Same as previous years, the textile segment's customers mainly comprise international apparel brand owners headquartered in the USA and European countries such as Germany and Switzerland with their products marketed under their own labels and sold around the world.

In 2014, the textile segment recorded a revenue of approximately HK\$245,552,000, showing a decrease of approximately 21.0% from the revenue as at the year ended 2013 of approximately HK\$310,867,000, which was mainly attributable to a decrease of approximately 26.1% in sales orders from one of the major customers of the Group headquartered in the USA. It resulted in the revenue generated by customers headquartered in the USA to decrease from approximately 60.4% in 2013 to 57.3% in 2014. As compared with revenue in the previous year, revenue generated by customers headquartered in European countries and other countries increased from approximately 27.0% and 6.0% in 2013 to 28.8% and 8.0% respectively in 2014, whilst revenue generated from Canada decreased from approximately 6.6% in 2013 to 6.0% in 2014.

Gross profit of the textile segment for the year ended 31 December 2014 decreased by approximately 12.1% from approximately HK\$54,294,000 in the previous year to HK\$47,730,000 in 2014. However, the gross profit margin increased from approximately 17.5% in 2013 to 19.4% in 2014 because the lowest gross profit margin sales orders were cut-down to fulfill profit making purpose.

For the year ended 31 December 2014, the textile segment recorded a loss of approximately HK\$9,074,000 as against a gain of approximately HK\$1,131,000 for the previous year. It was mainly attributable to (i) the decreases in revenue and gross profit of the textile segment as a result of the worsening of the market conditions and business environment and the severe competition of the textile industry, and (ii) an increase in written-down value of textile segment's assets after the Board decided to cease the operation of the Group's textile segment on 12 January 2015.

### Finance Lease Business

The Group considers the finance lease industry in the PRC has a vast room for development. To properly take advantage of the opportunity, the Group has set up two wholly foreign owned enterprises ("WFOE(s)") in the PRC to carry out the finance lease business of the Group.

On 9 July 2014, the WFOE namely Shanxi Sino Top Leasing Company Limited\* (山西華威融資租賃有限公司) ("Shanxi Sino Top") was granted a business license by the Shanxi Administration for Industry and Commerce (山西省工商行政管理局), with a registered paid up capital of US\$35,000,000, to operate various types of businesses, including but not limited to finance lease; other lease business; purchase of leased assets at domestic and overseas markets; disposal of residual value and maintenance of leased assets; provision of consultation and guarantees for lease transactions; import and export of equipment; automatic system and software system engineering; and technological consulting services and etc.

## Management Discussion and Analysis (Continued)

On 4 February 2015, the Group has completed the registration formalities with the Shanghai Municipal Administration for Industry and Commerce (上海市工商行政管理局) (“SHAIC”) for the establishment of another WFOE, namely Rong Yuan Financial Leasing (Shanghai) Company Limited\* (融元融資租賃(上海)有限公司) (“Rong Yuan”) and the SHAIC has issued a business license of Rong Yuan, with a registered capital of US\$50,000,000. The business scope of Rong Yuan includes but is not limited to finance lease business; other lease business; purchase of leased assets at domestic market; disposal of residual value and maintenance of leased assets; provision of consultation and guarantees for lease transactions; and factoring business.

For the year ended 31 December 2014, the finance lease segment recorded a revenue of approximately HK\$42,398,000 and an operating profit of HK\$6,222,000. It was mainly attributed to the two finance lease agreements entered into on 27 October 2014 and 29 December 2014.

### FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2014, the Group recorded total assets of approximately HK\$565,631,000, which were financed by internal resources of approximately HK\$211,317,000 and liabilities of approximately HK\$354,314,000. The Group had total cash and bank balances of approximately HK\$238,308,000. The current ratio (current assets divided by current liabilities) of the Group increased from 2.8 times as at 31 December 2013 to 5.4 times as at 31 December 2014.

### CONTINGENT LIABILITIES

On 16 November 2011, the High Court made a judgement (the “Judgement”) in favour of a subsidiary of the Group to dismiss a claim from a supplier (the “Supplier”).

On 23 July 2012, the Supplier filed a notice of appeal against the Judgement (the “Appeal”) and the Appeal was heard on 8 March 2013.

On 14 March 2013, the Court of Appeal ordered that the Appeal was allowed and the Judgement was set aside. The Court of Appeal also ordered that unless the dispute between the Supplier and the subsidiary of the Group can be settled by other means, the dispute should be remitted for a re-trial by another judge. As informed by the District Court on 17 September 2013, this case was transferred to the District Court.

During the year of 2014, the case has been scheduled for hearing.

Based on the legal advice, the Directors are of the opinion that the Group has meritorious defenses against the Supplier. Therefore no provision for this claim has been made in the consolidated financial statements for the year ended 31 December 2014.

Besides this case, there is no other contingency case proceeding for the year ended 31 December 2014.

## Management Discussion and Analysis (Continued)

### USE OF PROCEEDS

The Company has set out the intended use of the net proceeds from the Listing of approximately HK\$39,700,000 in the section headed “Future plans and use of proceeds” in the Prospectus. Approximately HK\$17,300,000 was at the time of the Listing allocated to the proposed construction of the new production factory on a piece of land located in Yangwu Village, Dalang Town, Dongguan City, Guangdong Province, the PRC (the “Land”). As a result of the disposal of the Land as detailed in the announcement of the Company dated 2 March 2012, the Company has reallocated the said HK\$17,300,000 to general working capital purpose. As at 31 December 2014, the net proceeds from the listing of approximately HK\$39,700,000 were fully used.

Reference is made to the announcement of the Company dated 9 May 2014 (capitalised terms in paragraphs (i), (ii) and (iii) shall have same meaning as defined in the announcement), in relation to the Share Placing and the CB Placing, and the Re-allocation of the use of the Net Proceeds of HK\$413,700,000:

- (i) it had been planned that approximately HK\$351,700,000 of the Net Proceeds would be allocated to obtain a finance lease business license and develop the finance lease business in the PRC. As for the year ended 31 December 2014, HK\$238,700,000 was invested in finance lease assets and HK\$15,000,000 was used in general operation and administrative expenses, with the balance of HK\$98,000,000 being held as general working capital;
- (ii) it had been planned that approximately HK\$55,000,000 of the Net Proceeds would be allocated to the knitwear business of the Company to enhance its financial flexibility. As at the year ended 31 December 2014, the said proceeds was fully used for general working capital of the Group;
- (iii) it had been planned that approximately HK\$7,000,000 of the Net Proceeds would be allocated to the professional fees incurred for the Share Subdivision, the Change of the Board Lot Size, the Placing Agreement, the Transfer Agreement, the Supply Contract and the Sales Contract. As at the year ended 31 December 2014, the said proceeds was fully used in the legal and professional expenses.

### FOREIGN EXCHANGE EXPOSURE

In respect of the knitwear business, the Group’s sales and purchases are principally transacted in US\$. With production plants and office located in the PRC and Hong Kong, operating expenses of the Group are primarily denominated in HK\$, RMB or US\$. As the HK\$ is pegged to the US\$, the Group does not expect to be exposed to any substantial currency risk in the near term.

In respect of the finance lease business, the Group’s receipts, payments and operating expenses are all transacted in RMB, in which the Group expects the currency risks would be insignificant.

The Group has a foreign currency hedging policy to monitor the foreign exchange exposure and has entered into several structured forward contracts during the year 2014 to manage the currency exposure. The Group will consider further hedging significant foreign currency exposure should the need arise.



## Management Discussion and Analysis (Continued)

### EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group has a workforce of approximately 730 employees in Hong Kong and the PRC, including five executive Directors, one non-executive Director and three independent non-executive Directors. Among which, the knitwear segment and the finance lease segment have a workforce of approximately 700 persons and 20 persons respectively. With the Board decided to cease the operation of the Group's textile segment on 12 January 2015, the workforce in Hong Kong and the PRC will be laid off at appropriate timing with proper legal compensation requirement.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the Shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the year ended 31 December 2014, no share options were granted by the Company since the adoption of the Scheme.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Company do not have any plans for material investments and capital assets.

### SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, during the year ended 31 December 2014, the Group did not hold any significant investment in equity interest in any company.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### OUTLOOK

#### **Knitwear Business**

With the Board decided to cease the operation of the Group's textile segment on 12 January 2015, no further resource will be allocated to the Group's textile segment in the coming year.

## Management Discussion and Analysis (Continued)

### Finance Lease Business

In view of the booming growth of the finance lease industry in the PRC in recent years, the Group has carried out the finance lease business by setting up two WFOEs, Shanxi Sino Top on 9 July 2014 and Rong Yuan on 4 February 2015, to capture the business opportunity.

Although it is anticipated that the global economy is facing a sluggish macro-economic environment in 2015 with weakened industrial demand, business downturn and intensified competition anticipated in various industries, we still have strong confidence that the finance industry will continue to prosper in view of the supporting statement in the Report on the Work of the Government delivered by Premier Li Keqiang in the Twelfth National People's Congress in March 2015 regarding the "Financial Reform to better serve the real economy".

According to the Financial Reform, the Chinese government will speed up the turnover of funds, improve the credit structure, increase the proportion of direct financing to total financing, and reduce the cost of financing, thereby allowing more financial resources to be channelled into the real economy. The Chinese government will deepen reform of rural credit cooperatives, and keep their status as legal persons in their counties stable. The Chinese government will ensure development-oriented and policybacked financial institutions function effectively in increasing the supply of public goods.

Therefore, on one hand, the Group will take effective and cautious measures to tackle the unstable economic environment and to continuously expand its market share through the WFOEs; on the other hand, the Group will offer support to the existing customers by formulating strategies to assist them to innovate their system, strengthen their production capacity and enhance their corporate development.

Furthermore, the Group will enlarge the customer base and strengthen the financial services by continuing to develop new niche markets in different industries and to provide customized and innovative financial services to customers.

As a whole, the management of the Group has confidence on the growth of the finance lease business in 2015, and considers the diversification into the finance lease business will be in the long term interests of the Group and the Shareholders as a whole.

# Directors and Senior Management

## BOARD OF DIRECTORS

### Executive Directors

**Mr. Yu Xueming (“Mr. Yu XM”)**, aged 41, was appointed as executive Director and Chairman of the Board on 4 June 2014. Mr. Yu XM is primarily responsible for the overall strategic planning of the Group. He possesses the title of senior engineer in China and has about 20 years of experience in construction, real estate development, coal mining and investment industries. He served as the manager of Shanxi branch of Fujian Gaohua Construction Engineering Co., Ltd.\* (福建省高華建設工程有限公司山西分公司) from 1995 to 2008, the chairman of Jiexiu City Wangyuan Coal Industry Co. Ltd.\* (介休市旺源煤業有限公司) from 2008 to 2012, and has been the chairman of Shanxi Xierun Investment Co. Ltd.\* (山西協潤投資有限公司) and Xiaoyi City Tiankai Real Estate Development Co. Ltd.\* (孝義市天凱房地產開發有限公司) since 2008. Mr. Yu XM obtained a bachelor degree from Huaqiao University in China, majoring in Civil Engineering, in July 1997.

**Mr. Yu Chuanfu (“Mr. Yu CF”)**, aged 43, was appointed as an executive Director and Chief Executive Officer on 4 June 2014. Mr. Yu CF is primarily responsible for the overall strategic planning and business development of the Group. He has over 20 years of experience in different industries such as coal mining, logistic and investment industries. He served as the deputy general manager of Guangzhou Longtian Logistic Co. Ltd.\* (廣州龍田物流有限公司) from 2002 to 2008, and the general manager of Lan County Gaogupo Coal Mining Co. Ltd.\* (嵐縣高家坡煤礦有限公司) from 2008 to 2011. He has been the general manager of Lan County Jinqiao Investment Co. Ltd.\* (嵐縣金橋投資有限公司) since 2010.

**Mr. Sit Yau Chiu (“Mr. Sit”)**, aged 50, was appointed executive Director on 4 June 2014. Mr. Sit has over 30 years of investment and business development experience in different industries such as trading and sales of internationally renowned brands (including the business of duty free shops), catering, information, real estate and chemical engineering industries. He devoted to expand the markets of international famous brands such as Japanese cosmetic and watches in the 80s. With the expansion of business into the areas of international famous brands covering handbags, leather products and jewellery, he established Top Pride International Limited in Hong Kong in 1997, Top Win International Trading Limited in 2001, Ho Hon Brothers Holdings Limited in 2005, Beijing Ho Hon Brothers Holdings Limited\* (北京浩瀚兄弟集團有限公司) and Top One International Holdings Limited subsequently. Currently, he is the chairman and president of the group with business footprints in Beijing, Shanghai, Nanjing, Guangzhou, Suzhou, Qingdao, Hangzhou and Fuzhou in China. Mr. Sit is the director of Top Star Group Holdings Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

**Mr. Zheng Qiang (“Mr. Zheng”)**, aged 35, was appointed executive Director on 16 May 2013. Mr. Zheng has over 10 years of experience in corporate management and business development. Mr. Zheng has been an executive director of Heilongjiang Province Heihe City Hua Fu Real Estate Development Company Limited (黑龍江省黑河市華富房地產開發有限責任公司) and Heilongjiang Province Heihe Hua Fu Mall Company Limited (黑龍江省黑河華富商城有限責任公司). Mr. Zheng is the director of Billion Mission Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

**Mr. Han Hanting (“Mr. Han”)**, aged 30, was appointed executive Director on 16 May 2013. Mr. Han has more than 7 years of experience in investment banking industry. He has been an investment manager of Fortune Assets Management Limited, a wholly owned subsidiary of China Fortune Group Limited (Stock Code: 290) which is listed on the main board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Prior thereto, he was research associate in CCB International Securities Limited and debt capital market in UBS, Investment Bank. Mr. Han obtained his bachelor degree from University of Warwick majoring in Mathematics, Operational Research, Statistics and Economics in July 2006.

## Directors and Senior Management (Continued)

### Non-executive Directors

**Mr. Chan Yee, Herman (“Mr. Chan”)**, aged 60, was appointed executive Director on 2 July 2013. Mr. Chan is currently a consultant of Y.T. Chan & Co., a firm of solicitors, and has more than 5 years of experience in the legal sector. He was admitted as Solicitor of the High Court in Hong Kong in May 2011. Prior to his legal career, he was a superintendent in the Hong Kong Police Force and had served the public for over 36 years. Mr. Chan obtained his bachelor of laws (LLB) degree from the University of London in 2003 and postgraduate certificate in laws from City University of Hong Kong in 2005.

### Independent non-executive Directors

**Mr. Wang Wei Hung, Andrew (“Mr. Wang”)**, aged 59, was appointed as independent non-executive Director on 11 October 2011. He was admitted as Solicitor of the High Court in Hong Kong in January 1982 and has over 30 years of experience in the legal sector. Mr. Wang was the Head of Legal and Compliance Department of China Development Bank Corporation Hong Kong Branch until September 2011. Before joining China Development Bank Corporation Hong Kong Branch in 2010, he was the Partner of the Finance & Projects Group of DLA Piper Hong Kong between the period from 2006 to 2009. Mr. Wang is also a Notary Public since 1992. Actively involved in Public Sector Advisory and Statutory Bodies, he is Chairman of Residential Care Homes (Elderly Persons) Appeal Board, Chairman of Appeal Tribunal Panel (Buildings), Member of Notaries Public Disciplinary Tribunal Panel. Mr. Wang is a Fellow of the Hong Kong Institute of Directors and was appointed as an arbitrator of the International Economic and Trade Arbitration Commission. In 2005, he was invited by former President Bill Clinton to participate as a business leader at the Clinton Global Initiative held in New York 2005.

**Mr. Sin Ka Man (“Mr. Sin”)**, aged 47, was appointed as independent non-executive Director on 11 October 2011. Mr. Sin has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained his bachelor degree in Social Sciences from the University of Hong Kong in December 1989, master degree in Finance from the University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

Mr. Sin is currently the company secretary of Huayu Expressway Group Limited (Stock Code: 1823), a company listed on the main board of the Stock Exchange. Mr. Sin serves as an independent non-executive director of Chinese People Holdings Company Limited (Stock Code: 0681), PNG Resources Holdings Limited (formerly known as LeRoi Holdings Limited) (Stock Code: 0221), Xtep International Holdings Limited (Stock Code: 1368) and Sino Haijing Holdings Limited (Stock Code: 1106), all of which are currently listed on the main board of the Stock Exchange.

## Directors and Senior Management (Continued)

**Mr. Zhao Li Xin (“Mr. Zhao”)**, aged 47, was appointed independent non-executive Director on 31 December 2014. Mr. Zhao is currently the General Manager of Amston Investment Limited (常盛投資有限公司), an independent director of Zhong Hui Futures Co., Ltd.\* (中輝期貨經紀有限公司), Gelin Dahua Futures Co., Ltd.\* (格林大華期貨經紀有限公司), Shanxi Baiyuan Trousers Chain Management Co., Ltd. (山西百圓褲業連鎖經營股份有限公司) (stock code 002640.SZ) and Nafine Chemical Industry Group Co., Ltd (南風化工集團股份有限公司) (stock code 000737.SZ). Mr. Zhao has over 20 years of professional experience in securities, initial public offerings and related investments, convertible debts, issue and allotment of securities and corporate auditing including asset restructuring and internal auditing. Mr. Zhao is a holder of various professional qualifications including being a non-practising member of The Chinese Institute of Certified Public Accountants and qualified to deal in securities and futures related business. He is also a Certified Public Valuer of the People’s Republic of China and a Registered Tax Agent of the People’s Republic of China. Mr. Zhao was previously an independent director of Shanxi Lu’an Environmental Energy Development Co., Ltd. (山西潞安環能股份有限公司) (stock code 601699.SH) and Shanxi Tond Chemical Co., Ltd. (山西同德化工股份有限公司) (stock code 002360.SZ) in the last three years.

### SENIOR MANAGEMENT

**Mr. Tu Baogui (“Mr. Tu”)**, aged 62, was appointed as honorary chairman on 1 July 2014. Mr. Tu has over 20 years of experience in banking and financial industry. He is familiar with local and overseas markets and has a profound understanding of the economic and financial development trend. Mr. Tu held a succession of executive posts at the Industrial Bank Co., Ltd., namely manager of Nanping office, vice president and president of Nanping branch, general manager of saving and credit cards department and sales department of the head office, general manager of Hualin office, President of Fuzhou branch, president of Shanghai branch (2001–2011) and supervisor of supervisory committee (2012–2013). During the time when Mr. Tu served as president of Shanghai branch, the branch had undergone explosive growth under his exceptional leadership. He promoted the strategic transformation of the branch’s business operation and revenue model. Until his departure in 2011, the operating profit of the branch had grown rapidly, contributing 8.2% to the total operating income of the bank and he was highly acclaimed by the insiders.

Mr. Tu was the executive director and chief executive officer of China Seven Star Holdings Limited (stock code: 00245) from 9 July 2013 to 9 October 2014.

**Mr. Chan King Keung (“Mr. Chan”)**, aged 50, was appointed Chief Financial Officer on 1 September 2014. Mr. Chan has more than 25 years of experience in accounting, auditing, corporate finance and consulting, and has held various senior positions with listed and private companies in Hong Kong and China. Mr. Chan holds a bachelor’s degree in social sciences from the University of Hong Kong, and is a fellow of the Hong Kong Institute of Certified Public Accountants.

**Mr. Yu Jie**, aged 50, was appointed General Manager of Shanxi Sino Top Leasing Company Limited in May 2014. Mr. Yu obtained his degree from Shanghai University of Finance and Economics majoring in Accounting and Finance in 1987. Having served in the Fujian Branch of Agricultural Bank of China, he was one of the early pioneers of financial professionals in the PRC and had extensive experiences and networks in the industry. Mr. Yu then started his own business in Australia with footprints in Australia and Indonesia, which demonstrated his excellent market development ability and corporate management skills. Mr. Yu was appointed as the Deputy General Manager of Shanghai Runjing Investment Co. Ltd., and General Manager of Evercredit Capital Investment Co. after he returned to China, and during his service period, Mr. Yu had successfully helped a number of enterprises to solve their financial problems by his professional knowledge and practical experiences in the finance industry.

## Directors and Senior Management (Continued)

**Mr. Yang Ying**, aged 45, was appointed Deputy General Manager of Shanxi Sino Top Leasing Company Limited in May 2014. Mr. Yang obtained his degree from Shanghai Jiaotong University majoring in Engineering Economics. He had served in renowned multinational firms and was one of the early pioneers engaging in professional risk investment and PE investment field with extensive knowledge, experiences and networks in capital market operations, financial investment and real estate investment. Mr. Yang served as the General Manager of Shanghai Zhengwang Investment Co. Ltd., and founded Haifuhui Capital Club which raises and manages billions of equity funds. He is also experienced in the field of real estate funds by participating the raising and managing of Fanhua City Construction Fund. Mr. Yang is strong in controlling investment risk and is familiar with finance leasing, factoring business, trading, and supply chain finance.

**Ms. Wong Wai Yi**, aged 49, was appointed as merchandising director of the Group in October 2012 and responsible for leading the Group's merchandising department. Ms. Wong has over 25 years working experience in fashion industry and covering the whole supply chain from manufacturing to retail for both of markets of the USA and European countries. Prior to join the Group, she held numerous sales and marketing and general management positions at various knitwear companies including Gap International Sourcing (Holdings) Ltd and Jones International Limited. Ms. Wong obtained her honours bachelor degree from Wilfrid Laurier University in 1987.

Ms. Nng cing Ya,

# Corporate Governance

The Board and management are committed to achieve high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its transparency and accountability. The Group has adopted the practices that has complied with all the code provisions as set out in Appendix 14 — Corporate Governance Code and Corporate Governance Report (“CG Code”) of the Listing Rules. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business. It will review its corporate governance practices regularly to ensure compliance with the CG Code.

## BOARD OF DIRECTORS

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Each of the Directors has entered into a service contract with the Company for a term of two years. All Directors including the Chairman are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company’s bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. As such, no Director has a term of appointment longer than two years. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the three independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

The members of the Board for the year ended 31 December 2014 were:

### Executive Directors

Mr. Yu Xueming (*Chairman*) (appointed on 4 June 2014)  
Mr. Yu Chuanfu (*Chief Executive Officer*) (appointed on 4 June 2014)  
Mr. Sit Yau Chiu (appointed on 4 June 2014)  
Mr. Zheng Qiang  
Mr. Han Hanting  
Mr. Yam Tak Cheung (resigned on 4 June 2014)  
Ms. Wong Kan Kan, Kandy (resigned on 4 June 2014)  
Mr. Wong Tat Wai, Derek (resigned on 4 June 2014)

### Non-executive director

Mr. Chan Yee, Herman

### Independent non-executive Directors

Mr. Wang Wei Hung, Andrew  
Mr. Sin Ka Man  
Mr. Zhao Lixin (appointed on 31 December 2014)  
Mr. Cheng Dickson (resigned on 1 October 2014)

The Chairman and Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Yu Xueming and Mr. Yu Chuanfu respectively, both being executive Directors.

## Corporate Governance (Continued)

The Board is responsible for promoting the success of the Group and its business by leading and supervising the Company's affairs. The Board is responsible for determining the Group's objectives, overall strategies and policies, approving business plan, evaluating operating, instilling corporate culture and financial performance. Its role is clearly separated from that of the senior management.

The Board has delegated the day-to-day operation responsibility of the Group to executive Directors and senior management. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Biographical details of and the relationship between the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

### NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to the shareholders for re-election, providing sufficient and accurate biographical details of directors to enable the Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill in causal vacancies or as additions to the Board. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors. When considering appointment of new Directors, the Board will take into consideration of criteria such expertise, experience, integrity and commitment.

### DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

### CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2014, all Directors and company secretary confirmed that they have complied with the CG Code.



## Corporate Governance (Continued)

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2014.

### NOMINATION COMMITTEE

The Company established nomination committee of the Company (the “Nomination Committee”) on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group’s engagement of appropriate directors and managerial personnel (including the expertise, experience, integrity and commitment) to complement the Company’s corporate objectives and strategies. The terms of reference of the Nomination Committee were posted on the Company’s website.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee comprises three independent non-executive Directors, namely, Mr. Wang Wei Hung, Andrew, Mr. Zhao Li Xin and Mr. Sin Ka Man and is chaired by Mr. Wang Wei Hung, Andrew.

During the year ended 31 December 2014, the Nomination Committee had held two meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

## Corporate Governance (Continued)

### REMUNERATION COMMITTEE

The Company established remuneration committee of the Company (the “Remuneration Committee”) on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group’s policies and structure for remuneration of Directors and senior management of the Group; determining the remuneration packages of Directors and senior management of the Group; and reviewing and approving their performance-based remuneration. The terms of reference of the Remuneration Committee were posted on the Company’s website.

The Remuneration Committee comprises Mr. Zhao Li Xin, Mr. Yu Chuan Fu, Mr. Wang Wei Hung, Andrew and Mr. Sin Ka Man and is chaired by Mr. Zhao Li Xin.

During the year ended 31 December 2014, the Remuneration Committee had held three meetings and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group.

### AUDIT COMMITTEE

The Company established audit committee of the Company (the “Audit Committee”) on 11 October 2011 which is primarily responsible for overseeing the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group’s audit; reviewing the Group’s financial reporting process, adequacy and effectiveness of the Group’s internal control system and risk management system. The terms of reference of the Audit Committee which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to “A Guide for the Formation of an Audit Committee” published by the HKICPA and were posted on the Company’s website.

The Audit Committee comprises Mr. Sin Ka Man, Mr. Wang Wei Hung, Andrew and Mr. Zhao Lixin and is chaired by Mr. Sin Ka Man.

During the year ended 31 December 2014, the Audit Committee had held three meetings and the Audit Committee reviewed the interim and annual results and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

## Corporate Governance (Continued)

### ATTENDANCE OF MEETINGS

The Company held Board meetings regularly for at least four times a year at approximately quarterly intervals with at least 14 days' notice was given to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was given. The attendance record for each of the Directors at the Board meeting during the year ended 31 December 2014 set out below.

	Attendance/Number of meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>				
Mr. Yu Xueming	5/14	—	—	—
Mr. Yu Chuanfu	8/14	—	1/1	—
Mr. Sit Yau Chiu	7/14	—	—	—
Mr. Zheng Qiang	27/30	—	—	—
Mr. Han Hanting	29/30	—	—	—
Mr. Yam Tak Cheung	1/16	—	—	—
Ms. Wong Kan Kan, Kandy	2/16	—	0/2	—
Mr. Wong Tat Wai, Derek	1/16	—	—	—
<i>Non-executive Directors</i>				
Mr. Chan Yee, Herman	28/30	—	—	—
<i>Independent Non-executive Directors</i>				
Mr. Wang Wei Hung, Andrew	20/30	2/3	3/3	2/2
Mr. Sin Ka Man	22/30	3/3	3/3	2/2
Mr. Zhao Li Xin	0/0	—	—	—
Mr. Cheng Dickson	21/24	2/2	2/2	1/1

### DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2014 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors' responsibilities in the preparation of the financial statements of the Group and the auditor's responsibilities are set out in the independent auditor's report.

## Corporate Governance (Continued)

### INTERNAL CONTROL

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged SHINEWING Risk Services Limited ("SHINEWING Risk Services") to conduct review and make recommendations for the improvement and strengthening of the internal control system. SHINEWING Risk Services has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function and SHINEWING Risk Services are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and SHINEWING Risk Services, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

### AUDITOR'S REMUNERATION

The fees in relation to the audit and non-audit services provided by SHINEWING (HK) CPA Limited, the external auditor, to the Company and its subsidiaries for the year ended 31 December 2014 is analysed below:

#### Type of services provided by the external auditor

	<b>Fee</b> HK\$'000
Audit service	930
Non-audit services	
Review of continuing connected transaction	10
Review of preliminary announcement of results	10
Acted as tax representative of the Group's entities	24
Review of the internal control system of the Group for the year ended 31 December	100

## Corporate Governance (Continued)

### HOW SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to the bye laws of the Company, any one or more Shareholder 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 by mail at Suites 1208–10, 12/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, to require a special 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 requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

### PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail at Suites 1208–10, 12/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, or by email at [info@1152.com.hk](mailto:info@1152.com.hk). The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the managing director of the Company.

During the year ended 31 December 2014, there has been no significant change in the Company's constitutional documents.

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the Shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

The Company also maintains a website at [www.1152.com.hk](http://www.1152.com.hk) to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to Shareholders as well as investors.

# Report of the Directors

The Directors present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 41 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 104 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014.

## FIVE YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarized on pages 105 to 106 of this report.

## PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 17 to the financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 31 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

## PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any Shares during the year ended 31 December 2014.

## TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

## RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for cash distribution and distribution in specie were HK\$206,557,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK\$159,947,000, are distributable in the form of fully paid bonus shares.

## INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2014.

## MAJOR CUSTOMERS AND SUPPLIERS

### Knitting Business

In the year under review, the percentages of sales and purchases attributable to the textile segment's major customers and suppliers were as follows:

- (i) The aggregate amount of sales attributable to the Group's five largest customers represented 89.2% of the total sales of the segment for the year. The sales attributable to the Group's largest customer represented 67.1% of the Group's total sales for the year.
- (ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 60.7% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 29.8% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors, their close associates nor any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## Report of the Directors (Continued)

### Finance Lease Business

The Group entered into two finance lease agreements during the year ended 31 December 2014 (2013: nil), with 2 customers on 27 October 2014 and 29 December 2014, resulting in the total revenue of approximately HK\$42,398,000.

Regarding the purchases arrangement, a finance leasing customer (the “lessee”) sold its machineries to the Group at RMB100,000,000 (equivalent to approximately HK\$125,160,000) and leased back the machineries with a lease period of 2 years from the date of inception. Another equipment purchased by the Group at RMB90,000,000 (equivalent to HK\$112,500,000) from a selected supplier by the lessee, also having the lease period of 2 years from the date of inception.

## DIRECTORS

The Directors during the year ended 31 December 2014 were:

### Executive Directors

Mr. Yu Xueming (*Chairman*) (appointed on 4 June 2014)  
Mr. Yu Chuanfu (*Chief Executive Officer*) (appointed on 4 June 2014)  
Mr. Sit Yau Chiu (appointed on 4 June 2014)  
Mr. Zheng Qiang  
Mr. Han Hanting  
Mr. Yam Tak Cheung (resigned on 4 June 2014)  
Ms. Wong Kan Kan, Kandy (resigned on 4 June 2014)  
Mr. Wong Tat Wai, Derek (resigned on 4 June 2014)

### Non-executive director

Mr. Chan Yee, Herman

### Independent non-executive Directors

Mr. Wang Wei Hung, Andrew  
Mr. Sin Ka Man  
Mr. Zhao Lixin (appointed on 31 December 2014)  
Mr. Cheng Dickson (resigned on 1 October 2014)

In accordance with the Company’s bye-laws, all executive Directors and non-executive Director shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

All independent non-executive Directors are appointed for a term of two years. In accordance with the Company’s bye-laws, all of them shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the Company’s annual general meeting.



## DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 13 of the annual report.

## DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Mr. Yu Xueming, Mr. Yu Chuanfu and Mr. Sit Yau Chiu have entered into a service agreement with the Company for a term of two years, commencing from 4 June 2014 with an annual remuneration of approximately HK\$780,000, HK\$750,000 and HK\$600,000 respectively. Mr. Zheng Qiang and Mr. Han Hanting have entered into a service agreement with the Company for an initial term of two years, commencing from 16 May 2013 with an annual remuneration of approximately HK\$600,000 and HK\$600,000 respectively. Either party has the right to give not less than three months' written notice to terminate the respective service agreement. In addition, each of these Directors will be entitled to a discretionary bonus to be calculated based on individual performance. Each of these Directors will also be reimbursed all reasonable out-of-pocket expenses properly incurred by him in the performance of his duties as a director.

Pursuant to the letter of appointment from the Company to the non-executive Directors dated 2 July 2013, the appointment of Mr. Chan Yee, Herman has been for an initial term of two years commencing from 2 July 2013 with a

2013,07.7 the

director's fee of\$600, 2013,210,

## Report of the Directors (Continued)

### DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in section headed "Connected Transactions" below and note 37 to the financial statements, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2014.

At no time during the year ended 31 December 2014 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

### MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### The Company:

Name of director	Capacity and nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Mr. Sit Yau Chiu	Interest of controlled corporation (Note 2)	208,000,000 (L)	21.85
Mr. Zheng Qiang	Interest of controlled corporation (Note 3)	208,000,000 (L)	21.85

Notes:

1. The letter "L" denotes a long position in the directors' interest in the share capital of the Company.
2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.
3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.

Save as disclosed above, as at 31 December 2014, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Report of the Directors (Continued)

### CONTINUING CONNECTED TRANSACTIONS

The Company had a continuing connected transaction, details of which are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

Reference is made to the announcement dated 4 December 2013 in respect of the renewal of existing lease agreement, as the existing lease agreement of the headquarter of the Company expired on 30 November 2013. Accordingly, the Group entered into a new tenancy agreement (the “Headquarter Tenancy Agreement”) with Long Rise Investment Development Limited (“Long Rise”), pursuant to which the Group agreed to lease from Long Rise all that Unit A, 32nd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong with the total gross area of 8,887 ft<sup>2</sup> as the headquarter of the Company in Hong Kong. The term of the Headquarter Tenancy Agreement is for three years commencing from 1 December 2013. The annual rent is HK\$2,700,000, exclusive of rates, government rent and management fees. The Directors estimate that the annual rent payable by the Group to Long Rise for each of the three years commencing on 1 January 2015 will not exceed the annual cap of approximately HK\$2,700,000. In the event that the Headquarter Tenancy Agreement is renewed, the relevant Listing Rules will be complied with. The rent payable to Long Rise by the Group was determined on an arm’s length basis with reference to the prevailing market rent.

Details of the continuing connected transactions are disclosed in note 37(b) of the financial statements.

Based on the relevant annual cap stated above for the Headquarter Tenancy Agreement, the Directors, at the date of entering into the Headquarter Tenancy Agreement, expect that the consideration ratio, being the only applicable percentage ratio mentioned in Rule 14.07 of the Listing Rules, will on an annual basis be either less than 5% or less than 25% and the annual consideration is less than HK\$10,000,000. Therefore, the transactions contemplated under the Headquarter Tenancy Agreement are not subject to independent Shareholders’ approval requirements but are subject to reporting and announcement requirements contained in Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that it has been entered into by the Company in the ordinary course of its business, on normal commercial terms/on terms no less favorable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the Board engaged the SHINEWING (HK) CPA Limited as the auditor of the Company to report on the above continuing connected transaction for the year ended 31 December 2014 in accordance with Hong Kong Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the transaction disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules.

The related party transactions in respect of notes 37(a) of the financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or minor children to acquire such rights in any other body corporate.

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

As at 31 December 2014, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long position:

<b>Name of Shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b> (Note 1)	<b>Percentage of the Company's issued share capital</b>
Top Star Group Holdings Limited (Note 2)	Beneficial interest	208,000,000 (L)	21.85
Billion Mission Limited (Note 3)	Beneficial interest	208,000,000 (L)	21.85
Integrated Asset Management (Asia) Limited (Note 4)	Beneficial interest	177,000,000 (L)	18.59
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 5)	Beneficial interest	120,000,000 (L)	12.61
Chance Talent Management Limited (Note 6)	Beneficial Interest	416,000,000 (L)	43.70

## Report of the Directors (Continued)

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.
2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.
3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.
4. Mr. Yam Tak Cheung is the beneficial owner of 100% of the issued share capital of Integrated Asset Management (Asia) Limited and is deemed to be interested in the 177,000,000 Shares held by Integrated Asset Management (Asia) Limited under the SFO.
5. Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 120,000,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.
6. On 18 November 2014, a share mortgage was entered into amongst Top Star Group Holdings Limited and Billion Mission Limited as the security providers, and Chance Talent Management Limited as the agent, in respect of all the Shares held by each of Top Star Group Holdings Limited and Billion Mission Limited. Central Huijin Investment Ltd. holds 57.26% equity interest in China Construction Bank Corporation which is the beneficial owner of 100% of the issued share capital of Chance Talent Management Limited, and is therefore deemed to be interested in the 416,000,000 shares held by Chance Talent Management Limited under the SFO.

Save as disclosed above, as at 31 December 2014, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules as all times up to the date of this report (being the latest practicable date prior to the issue of this report).

### CORPORATE GOVERNANCE

Principal corporate governance practices of the Company and the Group are set out in the Corporate Governance of this Annual Report.

### OTHER MATTERS

- (i) Subsequent to the end of the reporting period, the directors of the Group has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry has been continuing for a while and they are of the view that it is likely to continue for some time. Details are set out in the announcement of the Company dated 12 January 2015.

- (ii) On 20 January 2015, the Company announced a proposed issuance of a 7% coupon unlisted corporate bonds in the aggregate principal amount of up to HK\$100,000,000 to strengthen the financial position of the Group. Up to the date of the report, HK\$3,000,000 of the corporate bonds has been subscribed. Issuance of the corporate bonds will be ended at the 180th day from the date of placing agreement.
- (iii) On 9 February 2015, the Group has established a wholly foreign-owned enterprise (“WFOE”) named 融元融資租賃(上海)有限公司 (Rongyuan Leasing (Shanghai) Company Limited\*) in the PRC. The principal activity of the WFOE is engaged in finance leasing business in the PRC. The registered capital of the WFOE is US\$50,000,000 (equivalent to approximately HK\$389,000,000) which is not fully paid up to the report date. Capital commitment in related to this establishment is disclosed in note 35 in the report.

\* The English translation is for identification purposes only.

## AUDITOR

SHINEWING (HK) CPA Limited retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

**Yu Xueming**

*Chairman*

Hong Kong

27 March 2015

# Independent Auditor's Report





## Independent Auditor's Report (Continued)

### OPINION

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

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

27 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	9	287,950	310,867
Cost of sales		(230,712)	(256,573)
Gross profit		57,238	54,294
Other operating income	9	5,364	4,240
Gain on early redemption of convertible bonds	30	17,928	—
Selling and distribution expenses		(7,615)	(9,441)
Administrative and other expenses		(77,902)	(56,118)
Finance costs	11	(15,947)	(350)
Loss before taxation		(20,934)	(7,375)
Income tax (expense) credit	12	(2,506)	186
Loss for the year	13	(23,440)	(7,189)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations and total other comprehensive (expense) income		(2,754)	561
Total comprehensive expense for the year		(26,194)	(6,628)
<b>Loss per share (HK cents)</b>			
Basic and diluted	14	(2.58)	(0.86)

# Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	17	12,417	31,633
Finance lease receivables	18	129,515	—
Deposits paid for acquisition of property, plant and equipment	19	11,816	2,036
		<b>153,748</b>	33,669
<b>Current assets</b>			
Inventories	20	11,199	22,960
Trade and other receivables	21	51,745	44,857
Finance lease receivables	18	110,631	—
Tax recoverable		—	2,912
Bank balances and cash	22	238,308	84,584
		<b>411,883</b>	155,313
<b>Current liabilities</b>			
Trade and other payables	23	50,887	36,396
Amount due to a director	24	—	565
Derivative financial instruments	25	110	—
Bank and other borrowings	26	13,530	18,045
Obligations under finance leases — due within one year	27	256	244
Income tax payables		1,908	234
Promissory notes	28	9,375	—
		<b>76,066</b>	55,484
<b>Net current assets</b>		<b>335,817</b>	99,829
<b>Total assets less current liabilities</b>		<b>489,565</b>	133,498
<b>Non-current liabilities</b>			
Obligations under finance leases — due after one year	27	454	709
Deferred taxation	29	68	176
Bank and other borrowings	26	40,320	—
Convertible bonds	30	104,989	—
Promissory notes	28	132,417	—
		<b>278,248</b>	885
		<b>211,317</b>	132,613

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Capital and reserves			
Share capital	31	4,760	4,160
Reserves		206,557	128,453
		<b>211,317</b>	132,613

The consolidated financial statements on pages 33 to 104 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

**Yu Xueming**  
Director

**Yu Chuanfu**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital	Share premium	Convertible bonds equity reserve	Warrant reserve	Other reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000 (note 30)	HK\$'000 (note 32)	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	4,160	43,607	—	—	9,943	3,225	78,306	139,241
Loss for the year	—	—	—	—	—	—	(7,189)	(7,189)
Other comprehensive income for the year:								
Exchange difference arising on translation of foreign operations	—	—	—	—	—	561	—	561
Total comprehensive expenses for the year	—	—	—	—	—	561	(7,189)	(6,628)
At 31 December 2013	4,160	43,607	—	—	9,943	3,786	71,117	132,613
Loss for the year	—	—	—	—	—	—	(23,440)	(23,440)
Other comprehensive expense for the year:								
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(2,754)	—	(2,754)
Total comprehensive expense for the year	—	—	—	—	—	(2,754)	(23,440)	(26,194)
Issue of new shares	600	119,400	—	—	—	—	—	120,000
Transaction costs of new shares	—	(3,060)	—	—	—	—	—	(3,060)
Issue of convertible bonds, net of transaction costs	—	—	22,600	—	—	—	—	22,600
Early redemption of convertible bonds	—	—	(34,642)	—	—	—	—	(34,642)
Transfer to retained earnings upon early redemption of convertible bonds	—	—	20,496	—	—	—	(20,496)	—
At 31 December 2014	4,760	159,947	8,454	—	9,943	1,032	27,181	211,317

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group organisation over the consideration paid for acquiring these subsidiaries.

# Consolidated Statement of Cash Flow

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(20,934)	(7,375)
Adjustments for:		
Loss on change in fair value of derivative financial instrument	110	—
Depreciation of plant and equipment	12,331	12,900
Finance costs	15,947	350
Gain on early redemption of convertible bonds	(17,928)	—
Gain on disposal of plant and equipment	(422)	(14)
Impairment loss in respect of trade receivables	51	—
Impairment loss in respect of plant and equipment	6,815	—
Impairment loss in respect of deposit paid for acquisition of property, plant and equipment	2,130	—
Written off of plant and equipment	761	—
Bank interest income	(1,743)	(478)
Net investment income from derivative financial instruments	(2,252)	(1,602)
Operating cashflows before movements in working capital	(5,134)	3,781
Decrease (increase) in inventories	11,761	(1,602)
(Increase) decrease in trade and other receivables	(6,939)	9,286
Increase in finance lease receivables	(242,136)	—
Increase (decrease) in trade and other payables	7,927	(2,446)
Cash (used in) generated from operations	(234,521)	9,019
Income tax refund (paid)	1,970	(2,641)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(232,551)</b>	<b>6,378</b>
<b>INVESTING ACTIVITIES</b>		
Deposit paid for acquisition of property, plant and equipment	(11,910)	(278)
Acquisition of plant and equipment	(3,272)	(1,854)
Proceeds from disposal of plant and equipment	2,762	14
Receipt from settlement of derivative financial instruments	2,252	2,152
Interest received	1,743	478
Purchase of investment deposits	—	(3,816)
Withdrawal of pledged bank deposits	—	3,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,425)</b>	<b>(304)</b>

## Consolidated Statement of Cash Flow (Continued)

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Redemption of convertible bonds	(144,814)	—
Repayment of bank borrowings	(61,898)	(7,786)
Repayment of promissory notes	(9,375)	—
Transaction costs of issuing of convertible bonds	(7,650)	—
Transaction costs of placing	(3,060)	—
Transaction costs of issuing of promissory notes	(997)	—
Interest paid	(880)	(350)
Repayment to directors	(565)	(482)
Repayment of obligations under finance leases	(243)	(231)
Proceeds from issuing convertible bonds	300,000	—
Proceeds from issuing promissory notes	150,000	—
Proceeds from placing	120,000	—
New bank and other borrowings raised	54,703	—
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>395,221</b>	<b>(8,849)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>154,245</b>	<b>(2,775)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>84,584</b>	<b>87,215</b>
<b>EFFECT ON FOREIGN EXCHANGE RATES CHANGES</b>	<b>(521)</b>	<b>144</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,</b> represented by bank balances and cash	<b>238,308</b>	<b>84,584</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Infinity Financial Group (Holdings) Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 41, which are principally engaged in the following major segments: textiles and finance leasing of machineries and equipments.

The functional currency of the Company is United States dollars (“US\$”). The consolidated financial statements are presented in Hong Kong dollars as the operation of the Group are mainly based in Hong Kong. For certain subsidiaries established in the PRC, the functional currency is Renminbi.

Pursuant to a special resolution passed at the extraordinary general meeting held on 23 September 2014, the name of the Company was changed from “Fornton Group Limited 豐臨集團有限公司” to Infinity Financial Group (Holdings) Limited and 新融宇集團(控股)有限公司 was adopted as its Chinese name for identification purposes only. The “Certificate of Incorporation on Change of Name” has been issued by the Registrar of Companies in Bermuda and the change of the Company’s name took effect on 21 October 2014.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### **Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities**

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements, specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

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

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. Disclosure about the impairment of plant and equipment are included in note 17.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: *Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

### Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- (i) at cost;
- (ii) in accordance with HKFRS 9 (or HKAS 39); or
- (iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Group’s financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group’s consolidated financial statements.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date under current market condition (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

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

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

### Investment in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

### Plant and equipment

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

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets include loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivables, trade and other receivables and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Impairment loss on financial assets

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

For financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0–45 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments

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

#### Equity instruments

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

#### Financial liabilities

Financial liabilities are classified as at financial liabilities at FVTPL or other financial liabilities.

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other income or administrative expenses line item in profit or loss and includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 8.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Financial liabilities (Continued)

##### Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

##### Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definition of financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Convertible bonds (Continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the equity components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### Promissory note

The promissory note is initially measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities.

The promissory note is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the promissory note is calculated using the effective interest method.

Transaction costs that are directly attributable to the issue of the promissory note are included in the carrying amount of the promissory note and amortised over the period of the promissory note using the effective interest method.

#### Unlisted warrant

The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the warrant reserve is released directly to retained earnings.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in other reserve is recognised in profit or loss.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

### Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

#### (i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts, sales returns and sales related taxes.

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

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

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

#### (ii) Interest income

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

#### (iii) Finance lease handling fee

Finance lease handling fee is recognised at the time of entering of the formal agreements between the Group and the counterparty.

#### (iv) Finance lease interest income

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

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

#### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### Borrowing costs

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

### Employee benefits

#### Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered services entitling them to the contribution.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

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

#### Current tax

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

#### Deferred tax

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

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

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

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

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

#### Current and deferred tax for the year

Current and deferred tax is recognised in to profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

### Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). The directors of the Company are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts entered during the year ended 31 December 2014 are classified as finance leases (2013: N/A). Details are set out in note 18.

### Key sources of estimation uncertainty

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

### Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### Impairment loss and written off recognised in respect of plant and equipment and deposits paid for acquisition of property, plant and equipment

In determining whether the plant and equipment and deposits paid for acquisition of property, plant and equipment are impaired, the directors of the Company assesses the recoverable amount of the plant and equipment which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of plant and equipment exceeds its recoverable amount. In determining the recoverable amount of the plant and equipment, the directors of the Company require an estimation of the future cash flows expected to arise from the expected economic inflow from the plant and equipment in order to determine the value in use of the plant and equipment or take into consideration the amount obtainable from the sales of plant and equipment in an arm's length transaction in order to obtain its the estimated market value (i.e. estimated selling price less estimated costs to sell).

As at 31 December 2014, the carrying amount of plant and equipment was approximately HK\$12,417,000 (2013: HK\$31,633,000), net of impairment loss of approximately HK\$6,815,000 (2013: nil).

The written off of plant and equipment is recognised in accordance with the Group's accounting policy. Carrying amount of plant and equipment of approximately HK\$761,000 (2013: nil) was written off during the year ended 31 December 2014.

Impairment loss in respect of deposits paid for acquisition of property, plant and equipment of approximately HK\$2,130,000 (2013: nil) was recognised during the year ended 31 December 2014.

##### Estimated impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. The carrying amounts of trade receivables were approximately HK\$27,465,000 at 31 December 2014 (2013: HK\$27,811,000), net of impairment loss of approximately HK\$51,000 (2013: nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### Estimated allowance for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items. The carrying amounts of inventories were approximately HK\$11,199,000 at 31 December 2014 (2013: HK\$22,960,000). No impairment loss was recognised during the years ended 31 December 2014 and 2013.

#### Valuation of liability component of convertible bonds

The fair values of liability component of convertible bonds that are not traded in an active market are estimated by management based on the valuation performed by independent valuer. The fair values of liability component of convertible bonds are valued using discounted cash flow model based on assumptions supported, where possible, by observable market prices or rates. A gain on early redemption of approximately HK\$17,928,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014. The carrying amount of the liability component of convertible bonds as at 31 December 2014 was approximately HK\$104,989,000 (2013: nil). Further details are set out in note 30.

#### Measurement of promissory note

On issue of promissory note, the fair value is determined using a market rate for an equivalent loan and this amount is carried at amortised cost basis until extinguished on redemption or cancellation.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts which include the bank and other borrowings, obligations under finance leases, convertible bonds, promissory notes and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new or the redemption of existing debt and new share issues.

### 6. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	528,511	126,478
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	337,368	46,372
<b>Derivative financial instruments</b>	110	—

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include finance lease receivables, trade and other receivables, bank balances and cash, trade and other payables, amount due to a director, derivative financial instrument, bank and other borrowings, obligations under financial leases, promissory notes and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

### Market risk

#### Currency risk

The Group believe that the pegged rate between US\$ and HK\$ will not be materially affected by any changes in the value of US\$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK\$ to be insignificant.

The Group has foreign currency operation, which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily RMB.

Several subsidiaries of the Company have foreign currency sales and purchase, which expose the Group to foreign currency risk. Approximately 36% and 92% (2013: 40% and 86%) of the Group's sales and purchase respectively are denominated in currencies other than the functional currency of the group entity making the sales and purchase.

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

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Renminbi ("RMB")	815	1,521	13,482	11,077

The management monitors foreign exchange exposure by using structured forward contracts to manage and hedge significant foreign currency exposures. Such structured forward contracts are not accounted for under hedge accounting (see note 3 for details).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Market risk (Continued)

#### Currency risk (Continued)

##### Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in US\$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where US\$ strengthen 5% against the relevant currency. For a 5% weakening of US\$ against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2014 and 2013.

	RMB	
	2014	2013
	HK\$'000	HK\$'000
Impact on post-tax loss for the year	529	399

This is mainly attributable to the exposure on outstanding other receivables and trade and other payables denominated in RMB at the end of the reporting period.

For the outstanding structured forward contracts, if the market forward exchange rate of US\$ against RMB had been 5% higher/lower, post-tax loss for the year ended 31 December 2014 would be decreased by approximately HK\$192,000/increased by approximately HK\$192,000 as a result of the changes in the market forward exchange rate of US\$ against RMB.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, convertible bonds, other borrowings and obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to certain variable-rate bank borrowings (see note 26 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank balances and deposits are short-term in nature and the exposure of the interest rate risk is minimal.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Market risk (Continued)

#### Interest rate risk (Continued)

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used for the year ended 31 December 2014 (2013: 50 basis points) when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would increase/decrease by approximately HK\$54,000 (2013: HK\$75,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

#### Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk of trade receivables, as 58% of the total trade receivables at 31 December 2014 was due from the Group's largest customer (2013: 64%) and 72% of the total trade receivables at 31 December 2014 was due from the five largest trade customers (2013: 86%).

The Group's concentration of credit risk by geographical locations is mainly in the United States of America ("USA") and the PRC, which accounted for 96% and 100% of the total trade receivables and finance lease receivables at 31 December 2014, respectively (2013: 65% and nil, respectively).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### Collateral held as security and other credit enhancement

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables. Credit risks associated with the finance lease receivables are mitigated because the finance lease receivables are secured over a mining right owned by a lessee, an aggregate of 21.94% ordinary shares of a lessee held by two shareholders and a bills receivable. The carrying amounts of the finance lease receivables amounted to approximately HK\$240,146,000 (2013: nil).

#### Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

	At 31 December 2014				Carrying amount HK\$'000
	Within one year or on demand HK\$'000	More than one year less than two years HK\$'000	More than two years less than five years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
<b>Non-derivative financial liabilities</b>					
Trade and other payables	30,177	—	—	30,177	30,177
Bank and other borrowings	13,530	5,590	48,590	67,710	53,850
Convertible bonds	5,850	5,850	120,310	132,010	110,839
Promissory notes	9,375	168,750	—	178,125	141,792
Obligations under finance leases	283	283	189	755	710
	<b>59,215</b>	<b>180,473</b>	<b>169,089</b>	<b>408,777</b>	<b>337,368</b>

	At 31 December 2013				Carrying amount HK\$'000
	Within one year or on demand HK\$'000	More than one year less than two years HK\$'000	More than two years less than five years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
<b>Non-derivative financial liabilities</b>					
Trade and other payables	26,809	—	—	26,809	26,809
Amount due to a director	565	—	—	565	565
Bank borrowings	18,353	—	—	18,353	18,045
Obligations under finance leases	283	283	472	1,038	953
	<b>46,010</b>	<b>283</b>	<b>472</b>	<b>46,765</b>	<b>46,372</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

As at 31 December 2014, derivation financial liability of approximately HK\$110,000 (2013: nil) is outstanding. The contract will be fully executed within one year.

Bank borrowings with a repayment on demand clause are included in the “within 1 year or on demand” time band in the above maturity analysis. At 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$3,073,000 (2013: HK\$10,259,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid more than one year but not exceeding five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$3,085,000 (2013: HK\$10,366,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group’s accounting policy.

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

Financial liability	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2014 HK\$'000	2013 HK\$'000			
Foreign currency forward contract	110	—	Level 2	Quoted from bank	N/A

The fair value was determined by using discounted cash flows based on forward exchange rates from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There was no transfer of fair value hierarchy between level 1 and 2 in the reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

#### (b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	Fair value hierarchy	Valuation technique and key inputs	Fair value	Significant unobservable input	Relationship of unobservable inputs to fair value
<b>Financial liability</b>					
Liabilities component of convertible bonds	Level 2	Market value basis Key inputs: exercise price, expected volatility, risk free rate, effective interest rate, expected life	HK\$96,243,000 (2013: N/A)	N/A	N/A

The directors of the Company also consider that the fair value of the long-term portion of liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 9. REVENUE AND OTHER OPERATING INCOME

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

	2014 HK\$'000	2013 HK\$'000
Sales of knitted products	245,552	310,867
Finance leasing	42,398	—
	<b>287,950</b>	310,867
Other operating income		
Bank interest income	1,743	478
Gain on disposal of plant and equipment	422	14
Net investment income from derivative financial instruments	2,252	1,602
Sales of scrapped materials	774	1,800
Sundry income	173	346
	<b>5,364</b>	4,240
	<b>293,314</b>	315,107

### 10. SEGMENT INFORMATION

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

In prior years, no segment analysis of financial information was presented as the Group's revenue, expenses, assets and liabilities and capital expenditure are primarily attributable to the production and trading of knitwear business.

During the year, one new segment of finance leasing was introduced as a result of the diversifying into the business of finance leasing of machineries and equipments.

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

- (i) Textile segment engages in sub-contracting of knitted garment and the manufacturing and trading of knitwear.
- (ii) Finance leasing engages in finance leaseing business (earning interest income and handling fee), leasing business, purchasing of leased assets, provision of consultation and guarantees for lease transactions, import and export of equipment, automatic system engineering and software system engineering.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

#### Segment revenue and results

	For the year ended 31 December 2014		
	Textiles HK\$'000	Finance leasing HK\$'000	Total HK\$'000
Segment revenue	245,552	42,398	287,950
Segment results	(9,074)	6,222	(2,852)
Unallocated operating income			3,995
Gain on early redemption of convertible bonds			17,928
General and administrative expense			(24,058)
Finance costs			(15,947)
Loss before tax			(20,934)

	For the year ended 31 December 2013		
	Textiles HK\$'000	Finance leasing HK\$'000	Total HK\$'000
Segment revenue	310,867	—	310,867
Segment results	1,131	—	1,131
Unallocated operating income			2,091
General and administrative expenses			(10,247)
Finance costs			(350)
Loss before tax			(7,375)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the both years.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and assessment of segment performance.

#### Segment assets and liabilities

<b>Segment assets</b>	<b>2014 HK\$'000</b>	2013 HK\$'000
Textiles	60,638	96,632
Finance leasing	262,835	—
Total segment assets	323,473	96,632
Unallocated	242,158	92,350
Consolidated assets	565,631	188,982

<b>Segment liabilities</b>	<b>2014 HK\$'000</b>	2013 HK\$'000
Textiles	40,038	35,835
Finance leasing	1,973	—
Total segment liabilities	42,011	35,835
Unallocated	312,303	20,534
Consolidated liabilities	354,314	56,369

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

- all assets are allocated to operating segments other than cash and bank balances and other assets for corporate use including plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than derivative financial instrument, other payables, income tax payables, finance lease obligation, convertible bonds, promissory note, bank and other borrowings and deferred tax liabilities which were managed in a centralised manner.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

#### Other segment information

	For the year ended 31 December 2014			
	Textiles HK\$'000	Finance leasing HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Amounts included in the measure of segment profit or segment assets</b>				
Addition to non-current assets (Note)	1,733	11,843	1,606	15,182
Gain on disposal of plant and equipment	(422)	—	—	(422)
Written off of plant and equipment	761	—	—	761
Impairment loss in respect of plant and equipment	6,815	—	—	6,815
Impairment loss in respect of deposit paid for acquisition of property, plant and equipment	2,130	—	—	2,130
Depreciation of plant and equipment	11,967	—	364	12,331
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets</b>				
Gain on early redemption of convertible bonds	—	—	(17,928)	(17,928)
Net investment income from derivative financial instruments	—	—	(2,252)	(2,252)
Loss on change in fair value of derivative financial instruments	—	—	110	110
Income tax expense	1,053	1,453	—	2,506
Bank interest income	(1,741)	(2)	—	(1,743)
Finance costs	387	215	15,345	15,947

Note: Non-current assets excluded finance lease receivables.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

#### Other segment information (Continued)

	For the year ended 31 December 2013			
	Textiles HK\$'000	Finance leasing HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Amounts included in the measure of segment profit or segment assets</b>				
Addition to non-current assets	1,770	—	880	2,650
Gain on disposal of plant and equipment	(14)	—	—	(14)
Depreciation of plant and equipment	12,506	—	394	12,900
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets</b>				
Net investment income from derivative financial instruments	—	—	(1,602)	(1,602)
Income tax credit	(186)	—	—	(186)
Bank interest income	(424)	—	(54)	(478)
Finance costs	350	—	—	350

#### Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major product and provision of services to external customers:

	2014 HK\$'000	2013 HK\$'000
Sales of garments	245,552	310,867
Sales of coal mining machineries	33,547	—
Finance lease interest income	2,544	—
Finance lease handling fee	6,307	—
	<b>287,950</b>	310,867

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

#### Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's customers are mainly located in the USA, Europe, Canada and the PRC.

An analysis of the Group's revenue from external customers based on their geographical location is detailed below:

	2014 HK\$'000	2013 HK\$'000
USA	140,696	187,765
Europe (Note)	70,601	83,975
Canada	14,700	20,540
The PRC	42,424	165
Others	19,529	18,422
	<b>287,950</b>	310,867

Less than 1% of the Group's revenue from external customers is derived from Hong Kong (country of domicile) during the years ended 31 December 2014 and 2013.

Note: It mainly includes external customers located in Germany, Switzerland and United Kingdom.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	Non-current assets (Note)	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	2,871	5,406
The PRC	21,362	28,263
	<b>24,233</b>	33,669

Note: Non-current assets excluded financial lease receivables.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 10. SEGMENT INFORMATION (Continued)

#### Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A <sup>1</sup>	164,703	181,832
Customer B <sup>2</sup>	33,547	N/A <sup>3</sup>

<sup>1</sup> Revenue from textile segment

<sup>2</sup> Revenue from finance leasing segment

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total external revenue of the Group.

### 11. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interests on:		
— bank and other borrowings wholly repayable within five years	1,232	296
— trust receipt loans	112	2
— discounted bills	210	—
— convertible bonds	12,189	—
— promissory notes	2,164	—
— obligations under finance leases	40	52
	15,947	350

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 12. INCOME TAX EXPENSE (CREDIT)

	2014 HK\$'000	2013 HK\$'000
Current tax:		
Hong Kong Profits Tax	21	111
PRC Enterprise Income Tax	1,453	—
	1,474	111
(Over) underprovision in prior years:		
Hong Kong Profits Tax	(90)	(419)
PRC Enterprise Income Tax	1,230	—
	1,140	(419)
Deferred taxation (note 29)	(108)	122
	2,506	(186)

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2014 (2013: 16.5%).
- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense for the years ended 31 December 2014 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before taxation	(20,934)	(7,375)
Tax at domestic income tax rate of 16.5% (2013: 16.5%)	(3,454)	(1,217)
Tax effect of expense not deductible for tax purposes	7,932	1,623
Tax effect of income not taxable for tax purposes	(6,071)	(238)
Effect of different tax rate of subsidiaries operating in other jurisdiction	569	65
Tax effect of tax loss and deductible temporary difference not recognised	2,390	—
Under(over)provision in prior years	1,140	(419)
Income tax expense (credit) for the year	2,506	(186)

Details of the deferred taxation are set out in note 29.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 13. LOSS FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Loss for the year has been arrived at after charging :		
Directors' emoluments (note 15)	4,161	4,370
Salaries and allowances (excluding directors' emoluments)	21,601	25,790
Retirement benefit scheme contributions (excluding directors)	858	914
<b>Total staff costs</b>	<b>26,620</b>	31,074
Auditor's remuneration	1,045	780
Impairment loss in respect of trade receivables	51	—
Amount of inventories recognised as expense	230,712	256,573
Depreciation of plant and equipment	12,331	12,900
Written off of plant and equipment	761	—
Impairment loss in respect of plant and equipment	6,815	—
Impairment loss in respect of deposit paid for acquisition of property, plant and equipment	2,130	—
Loss on change in fair value of derivative financial instruments	110	—
Net exchange loss	—	538
Minimum lease payments in respect of rented — office premises	9,921	6,363
Processing fees (Note)	43,994	50,036
Sub-contracting fee (included in cost of sales)	61,983	59,461

Note: The processing fees include the following components in accordance with the processing agreement:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowances	16,579	17,814
Factory's lease	2,071	2,133
Labour cost — direct and indirect	21,977	27,007
Utilities	3,367	3,082
	<b>27,415</b>	32,222
	<b>43,994</b>	50,036

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 14. LOSS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(23,440)	(7,189)
	2014 '000	2013 '000
<b>Number of shares</b>		
Weighted average number ordinary shares for the purpose of basic and diluted loss per share	909,918	832,000

The weighted average number of ordinary shares for the purpose of basic loss per share for the years ended 31 December 2014 and 2013 has been adjusted for the subdivision of shares as approved by the Company's shareholders on 5 March 2014.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2014.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

	Year ended 31 December 2014				
	Fees HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments (note) HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Ms. Wong Kan Kan, Kandy ("Ms. Wong") (resigned on 4 June 2014)	—	536	5	6	547
Mr. Yam Tak Cheung ("Mr. Yam") (resigned on 4 June 2014)	—	510	5	6	521
Mr. Wong Tat Wai ("Mr. Wong") (resigned on 4 June 2014)	—	214	5	6	225
Mr. Zheng Qiang	—	600	—	17	617
Mr. Han Hanting	—	600	—	17	617
Mr. Yu Xueming (appointed on 4 June 2014)	—	449	—	10	459
Mr. Yu Chuanfu (appointed on 4 June 2014)	—	435	—	10	445
Mr. Sit Yau Chiu (appointed on 4 June 2014)	—	345	—	10	355
Non-executive directors:					
Mr. Chan Yee, Herman	100	—	—	—	100
Independent non-executive directors :					
Mr. Wang Wei Hung, Andrew	100	—	—	—	100
Mr. Cheng Dickson (resigned on 1 October 2014)	75	—	—	—	75
Mr. Sin Ka Man	100	—	—	—	100
Mr. Zhao Li Xin (appointed on 31 December 2014)	—	—	—	—	—
	375	3,689	15	82	4,161

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

	Year ended 31 December 2013				Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments (note) HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Ms. Wong	—	1,361	7	15	1,383
Mr. Yam	—	540	7	15	562
Mr. Wong	—	1,281	7	15	1,303
Mr. Zheng Qiang	—	376	—	10	386
Mr. Han Hanting	—	376	—	10	386
Non-executive directors:					
Mr. Chan Yee, Herman	50	—	—	—	50
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	100	—	—	—	100
Mr. Cheng Dickson	100	—	—	—	100
Mr. Sin Ka Man	100	—	—	—	100
	350	3,934	21	65	4,370

Ms. Wong was the Chief Executive Officer of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer. She resigned as the executive director from the Group on 4 June 2014.

Mr. Yu Chuanfu was appointed as Chief Executive Officer of the Company on 4 June 2014 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2014 and 2013.

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, there is no director of the Company for the year ended 31 December 2014 (2013: two were directors and the chief executive of the Company). The emoluments of the directors are included in the disclosures in note 15(a) above. The emoluments of the five (2013: remaining three) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other allowances	3,875	2,983
Performance related incentive payments (Note)	629	111
Retirement benefit scheme contributions	54	30
	<b>4,558</b>	3,124

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

Their emoluments were within the following bands:

	Number of individuals	
	2014	2013
Not more than HK\$1,000,000	4	1
HK\$1,000,000 to HK\$1,500,000	1	2
	<b>5</b>	3

During the years ended 31 December 2014 and 2013, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

### 16. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 17. PLANT AND EQUIPMENT

	<b>Plant and machinery</b>	<b>Office equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvement</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>						
At 1 January 2013	59,267	14,443	2,220	3,719	3,628	83,277
Additions	328	529	—	790	725	2,372
Disposals	(157)	(125)	—	—	—	(282)
Exchange realignment	899	19	33	—	—	951
At 31 December 2013	60,337	14,866	2,253	4,509	4,353	86,318
Additions	843	303	30	689	1,407	3,272
Disposal	(6,091)	(35)	—	—	—	(6,126)
Written off	(2,710)	(604)	(1,888)	—	—	(5,202)
Exchange realignment	(570)	—	—	—	—	(570)
At 31 December 2014	51,809	14,530	395	5,198	5,760	77,692
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2013	24,434	11,644	2,001	1,539	2,026	41,644
Provided for the year	10,662	891	76	792	479	12,900
Eliminated on disposals	(157)	(125)	—	—	—	(282)
Exchange realignment	380	11	32	—	—	423
At 31 December 2013	35,319	12,421	2,109	2,331	2,505	54,685
Provided for the year	9,826	863	66	902	674	12,331
Eliminated on disposal	(3,751)	(35)	—	—	—	(3,786)
Eliminated on written off	(2,123)	(482)	(1,836)	—	—	(4,441)
Impairment losses recognised	3,322	1,542	56	1,895	—	6,815
Exchange realignment	(329)	—	—	—	—	(329)
At 31 December 2014	42,264	14,309	395	5,128	3,179	65,275
<b>CARRYING VALUES</b>						
At 31 December 2014	9,545	221	—	70	2,581	12,417
At 31 December 2013	25,018	2,445	144	2,178	1,848	31,633

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 17. PLANT AND EQUIPMENT (Continued)

- (i) The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	10% to 20%
Leasehold improvement	Over the shorter of term of the lease or 5 years
Motor vehicles	20%

- (ii) The carrying values of motor vehicles as at 31 December 2014 included an amount of approximately HK\$805,000 in respect of assets under finance leases (2013: HK\$1,107,000).
- (iii) During the year ended 31 December 2014, the directors of the Company conducted a review of the Group's manufacturing assets of textile business and determined that a number of plant and equipment was impaired, due to worsening of market situation of textile industry which resulted in the idleness of certain plant and equipment. Accordingly, impairment losses of approximately HK\$6,815,000 (2013: nil) have been recognised in respect of plant and equipment which are related to textile segment. The directors of the Company assessed the recoverable amounts based on the amount obtainable from the sales of those plant and equipment in an arm's length transaction in order to obtain its estimated market value (i.e. estimated selling price less estimated costs to sell). The recoverable amounts of impaired assets as at 31 December 2014 was approximately HK\$9,527,000 (2013: approximately HK\$29,706,000).

## 18. FINANCE LEASE RECEIVABLES

The Group entered into two finance lease agreements during the year ended 31 December 2014 (2013: nil). For the arrangement, a finance leasing customer (the "lessee") sold its machineries to the Group at RMB100,000,000 (equivalent to approximately HK\$125,160,000) and leased back the machineries with the lease period of 2 years from the date of inception.

Another lessee leased the equipment purchased by the Group at RMB90,000,000 (equivalent to HK\$112,500,000) from a selected supplier with the lease period of 2 years from the date of inception. The interest rates inherent in the leases are fixed at the contract date over the lease terms.

For the above finance lease arrangements, the ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 18. FINANCE LEASE RECEIVABLES (Continued)

Effective interest rates of the above finance lease ranged from 15.56% to 18.81% per annum.

	Minimum lease payments		Present value of minimum lease payment	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Finance lease receivables comprises:				
Within one year	143,850	—	110,631	—
After one year but within two years	143,850	—	129,515	—
	287,700	—	240,146	—
Less: Unearned finance income	(47,554)	—	—	—
Present value of minimum lease payment receivables	240,146	—	240,146	—
Analysed for reporting purposes as:				
Current assets			110,631	—
Non-current assets			129,515	—
			240,146	—

The relevant lease agreements entered into of approximately HK\$240,146,000 (2013: nil) was aged within 1 year at the end of the reporting period.

One of the receivables under finance lease arrangements are secured by a bills receivable. Another finance lease receivables are secured by a mining right owned by the lessee and an aggregate of 21.94% of equity interest of the lessee held by two of the shareholders of the lessee. Based on the legal advice, the directors of the Company considered that the security of mining right and the equity interest is considered as valid and legally binded based on the pledged agreement entered between the Group, the lessee and the guarantor.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded at the end of the reporting period.

Both lessees are required to pay the Group through 4 half-yearly lease payments from inception date up to maturity date. The finance lease receivables are neither past due nor impaired.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

The Group's finance lease receivables are denominated in RMB, the functional currency of the relevant group entity.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 19. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2014 HK\$'000	2013 HK\$'000
At 1 January	2,036	2,276
Addition	11,910	278
Utilised	—	(518)
Impairment loss recognised	(2,130)	—
At 31 December	11,816	2,036

At 31 December 2014, included in the allowance for impairment of deposit paid for acquisition of property, plant and equipment are individually impaired of approximately HK\$2,130,000 (2013: nil) as the ERP system is no longer to be installed for use of textile business. During the year ended 31 December 2014, impairment loss of approximately HK\$2,130,000 (2013: nil) was recognised.

### 20. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Raw materials	1,449	4,804
Work-in-progress	4,174	14,487
Finished goods	5,576	3,669
	11,199	22,960

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 21. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	27,516	27,811
Less:		
Impairment loss recognised	(51)	—
	27,465	27,811
Other receivables	22,592	10,267
Investment deposits (note iii)	—	3,816
Prepayment	1,688	2,963
	51,745	44,857

- (i) The Group generally allows an average credit period of 0–45 days to its trade customers. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables, net of impairment loss recognised presented based on the invoice date which is approximate to the revenue recognition dates at the end of the reporting period is as follows:

	2014 HK\$'000	2013 HK\$'000
0 to 45 days	27,004	27,794
46 to 90 days	171	12
91 to 365 days	—	—
Over 365 days	290	5
	27,465	27,811

The movements in impairment loss of trade receivables were as follows:

	2014 HK\$'000	2013 HK\$'000
As at 1 January	—	—
Recognised during the year	51	—
As at 31 December	51	—

At 31 December 2014, included in the impairment loss of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of approximately HK\$51,000 (2013: nil).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 21. TRADE AND OTHER RECEIVABLES (Continued)

- (ii) At the end of the reporting period, the analysis of trade receivables that were neither past due nor impaired and past due but not impaired are as follows:

	Total HK\$'000	Neither past due nor impaired HK\$'000	Past due but not impaired			
			Less than 45 days HK\$'000	46 to 90 days HK\$'000	91 to 365 days HK\$'000	Over 365 days HK\$'000
At 31 December 2014	27,465	25,088	1,916	171	—	290
At 31 December 2013	27,811	25,664	2,130	12	1	4

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

- (iii) As at 31 December 2013, the Group purchased investment deposits from a domestic bank with good credit rating and the deposits carry a variable return of a cap of 5.7% per annum. No such investment deposit existed as at 31 December 2014.
- (iv) Included in other receivables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2014 HK\$'000	2013 HK\$'000
RMB	815	1,521

### 22. BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the year ended 31 December 2014 carried interest at the prevailing market rate ranging from 0.001 % to 0.6 % per annum (2013: 0.001% to 0.6% per annum).

The Group's bank balances and cash denominated in RMB amounted to approximately HK\$67,338,000 at 31 December 2014 (2013: HK\$12,594,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 23. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables	13,299	10,919
Receipt in advance	4,417	1,528
Interest payable on convertible bonds	5,850	—
Other payables	27,321	23,949
	<b>50,887</b>	36,396

- (i) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2014 HK\$'000	2013 HK\$'000
0 to 90 days	12,470	10,008
91 to 365 days	16	313
Over 365 days	813	598
	<b>13,299</b>	10,919

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

- (ii) Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.
- (iii) Included in trade and other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2014 HK\$'000	2013 HK\$'000
RMB	13,482	11,077

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 24. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, non-interest bearing and fully repaid during the year.

### 25. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 HK\$'000	2013 HK\$'000
Derivative financial liabilities not under hedge accounting consists of the fair value of foreign currency forward contracts and are analysed for reporting purpose as current	110	—

The derivatives were measured with reference to exchange rates from financial instruments for equivalent instruments.

The Group entered into several non-deliverable structured forward contracts (the "Forward Contracts") denominated in US\$ and RMB during the years ended 31 December 2014 and 2013 with a bank. During the year ended 31 December 2014, most of the Forward Contracts newly entered in 2014 have been terminated after criteria stated in the contracts met. As at 31 December 2014, one (2013: nil) foreign exchange contract is outstanding.

The major terms of the foreign exchange contract outstanding as at 31 December 2014 are as follows:

Notional amount	Maturity	Predetermined exchange rates	Note
US\$500,000 (equivalent to approximately HK\$3,875,000)	5 May 2014 to 29 April 2015	US\$1: RMB6.1850	(a)

The Forward Contract comprises 12 forward exchange transactions at relevant determination dates.

- (a) Pursuant to the terms of the Forward Contract, on each of the 12 determination dates, the Group will have to sell US\$500,000 against RMB at the predetermined exchange rate as disclosed above. If the spot exchange rate of US\$ against RMB (the "Spot Rate") is lower than the predetermined exchange rate (the "Condition"), the Group will receive a gain of US\$500,000 multiplied by the difference between the Spot Rate at the determination date and the predetermined exchange rate. This Forward Contract will be terminated on any determination date that the accumulative gain reaches RMB900,000.

If the Spot Rate is higher than the predetermined exchange rate, the exposure of the Group is to pay the bank US\$500,000 multiplied by the difference between the Spot Rate and the predetermined exchange rate for this Forward Contract. There is no cap on the exposure.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 26. BANK AND OTHER BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Unsecured:		
Machinery loan (Note i)	9,659	16,245
Other bank loan (Note ii)	600	1,800
Trust receipt loan (Note iii)	591	—
Other loan (Note iv)	43,000	—
	<b>53,850</b>	18,045
Bank and other borrowings repayable*:		
Within one year	10,457	7,786
More than one year but not exceeding two years	8,664	7,186
More than two years but not exceeding five years	34,729	3,073
	<b>53,850</b>	18,045
Less: Carrying amount of machinery loan that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>(3,073)</b>	(10,259)
Less: Amounts due within one year shown under current liabilities	<b>(10,457)</b>	(7,786)
	<b>(13,530)</b>	(18,045)
Amount shown under non-current liabilities	<b>40,320</b>	—

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

- (i) At 31 December 2014, machinery loans of approximately HK\$9,659,000 (2013: HK\$16,245,000) which carries floating rate at 1 month HIBOR plus 1.1% per annum will be fully repaid in September 2016. The facilities contain a repayment on demand clause.
- (ii) At 31 December 2014, HK\$600,000 (2013: HK\$1,800,000) of other bank loan was outstanding under the Special Loan Guarantee Scheme ("Special loan") of Hong Kong, which carries floating-rate at 1 month HIBOR plus 1.25% per annum, repayable in 60 installments commencing on 31 July 2010. The Special loan will be fully repaid by 31 August 2015. 80% of the principal amount of the special bank loan is guaranteed by the Government of Hong Kong Special Administrative Regions. The guarantee has been released and a repayment on demand clause has been added during the year ended 31 December 2013.
- (iii) At 31 December 2014, approximately HK\$591,000 (2013: nil) of trust receipt loan was outstanding, which carries floating rate at HIBOR plus 2% per annum and repayable in full in April 2015.
- (iv) At 31 December 2014, other loan of approximately HK\$43,000,000 (2013: nil) was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an effective interest rate at 13.05% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 26. BANK AND OTHER BORROWINGS (Continued)

At 31 December 2013, the Company provided guarantees in relation to other bank loan (2014: nil) and banking facilities granted to certain subsidiaries.

At 31 December 2014, the Group has unused banking facilities of HK\$135,000,000 (2013: HK\$153,000,000).

### 27. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years (2013: five years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts payable under finance leases:				
Within one year	283	283	256	244
More than one year, but not more than two years	283	283	268	256
More than two years, but not more than five years	189	472	186	453
Less: Future finance charges	755 (45)	1,038 (85)	710	953
Present value of lease obligations	710	953		
Less: Amounts due within one year shown under current liabilities			(256)	(244)
Amounts due after one year			454	709

All obligations under finance leases of the Group bear interest at fixed interest rates. The underlying interest rates of these obligations under finance leases are ranged from 2.9% to 4.7% per annum during the years ended 31 December 2014 and 2013. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets. These leases had no terms of renewal or purchase options and escalation clauses.

All obligations under finance leases are denominated in HK\$.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 28. PROMISSORY NOTES

On 17 October 2014, the Company issued a 12.5% promissory note in the amount of HK\$150,000,000, with a maturity date of 24 months from the date of issue and which carries effective interests at 13.5%. The promissory note will be repaid in accordance with the scheduled repayment dates set out in the promissory note agreements.

	HK\$'000
Issue of promissory note	150,000
Transaction costs	(997)
Interest charged	2,164
Repayment during the year	(9,375)
At 31 December 2014	141,792
Current portion	9,375
Non-current portion	132,417
	141,792

The promissory notes are secured by composite share mortgage by two substantial shareholders of the Company and the personal guarantee provided by a director of the Company.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 29. DEFERRED TAXATION

The movement in deferred tax liabilities during the year are as follows:

	<b>Difference between depreciation allowance and related depreciation</b> HK\$'000
At 1 January 2013	(54)
Charged to profit or loss during the year (note 12)	(122)
At 31 December 2013	(176)
Credit to profit or loss during the year (note 12)	108
At 31 December 2014	(68)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$4,559,000 (2013: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At 31 December 2014, approximately HK\$8,000 (2013: nil) included in the above unused tax losses will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$6,815,000 (2013: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounting to approximately HK\$5,462,000 (2013: HK\$1,658,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 30. CONVERTIBLE BONDS

On 9 May 2014, the Company issued 5% per annum coupon rate convertible bonds at principal amount of HK\$200,000,000 and HK\$100,000,000 to Vision Future Global Limited (“Vision Future”) and Orient Finance Holdings (Hong Kong) Ltd. (“Orient Finance”), the independent third parties, respectively. The convertible bonds are denominated in Hong Kong dollars. The bonds mature in 36 months from the date of issuance and can be converted into shares of the Company with the agreement from bondholders at any time before the maturity date at an initial conversion price of HK\$1 per share. The convertible bonds are transferable and non-redeemable.

On 25 September 2014, a deed of amendment has been entered into by the Company and the convertible bondholders that the convertible bonds were changed to be redeemable upon mutual consent between the Company and the bondholders. Other terms of the convertible bonds remain unchanged. On 15 October 2014, such modification have been duly passed by shareholders in special general meeting. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 8% per annum.

On 14 November 2014 and 18 November 2014, the Company early redeemed partially the convertible bonds with the principal amounts of HK\$140,000,000 and HK\$43,000,000 from Vision Future and Orient Finance, respectively. This gave rise to an early redemption gain of approximately HK\$17,928,000 for the year ended 31 December 2014 recognised in profit or loss.

The movement of the convertible bonds for the year is set out below:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	—	—	—
Issued on 9 May 2014	276,809	23,191	300,000
Transaction costs	(7,059)	(591)	(7,650)
Imputed interests charged	12,189	—	12,189
Gain on early redemption of convertible bonds	(17,928)	—	(17,928)
Early redemption of convertible bonds	(153,172)	(34,642)	(187,814)
Transfer to retained earnings upon early redemption of convertible bonds	—	20,496	20,496
Interest payable within 1 year (included in other payables)	(5,850)	—	(5,850)
At 31 December 2014	104,989	8,454	113,443



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 31. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.01 each as at 1 January 2013 and 31 December 2013	10,000,000	100,000
Effect of share subdivision to HK\$0.005 each (note (i))	10,000,000	—
Ordinary shares of HK\$0.005 each as at 31 December 2014	20,000,000	100,000
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.01 each as at 1 January 2013 and 31 December 2013	416,000	4,160
Effect of share subdivision to HK\$0.005 each (note (i))	416,000	—
Issue of shares (note (ii))	120,000	600
Ordinary shares of HK\$0.005 each as at 31 December 2014	952,000	4,760

Notes:

- (i) With effect from 5 March 2014, each share of the Company of HK\$0.01 per share was subdivided into 2 shares of HK\$0.005 per share. Share capital is therefore presented on a post share subdivision basis.
- (ii) On 9 May 2014, arrangements were made for a private placement to an independent private investor of 120,000,000 ordinary shares of HK\$0.005 each at the share placing price of HK\$1.00 per placing share representing a discount of 18.6% to the closing market price of the Company's shares on 9 May 2014.

The proceeds were used as general working capital of the Group and for obtaining a finance lease business license and developing the finance lease business in the PRC. These new shares were issued under the specific mandate granted to the directors at a special general meeting of the Company held on 5 March 2014.

All the ordinary shares issued during the year ended 31 December 2014 rank pari passu with the then existing shares in all respects.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 32. UNLISTED WARRANTS

On 18 November 2014, the Company issued 60,000,000 warrants (the “Warrants”) to an independent third party at a cash consideration of HK\$1. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.005 each at an exercise price of HK\$1.00, subject to normal adjustment, at any time falling 24 months from the date of issue.

During the year ended 31 December 2014, no warrants were exercised or lapsed (2013: N/A).

Exercise in full of such warrants would result in the issue of approximately 60,000,000 (31 December 2013: N/A) additional ordinary shares of HK\$1 each.

### 33. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company’s subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK\$940,000 for the year ended 31 December 2014 (2013: HK\$896,000).

### 34. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Lease for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	3,061	3,835
In the second to fifth year inclusive	—	5,175
	3,061	9,010

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 35. CAPITAL COMMITMENT

	2014 HK\$'000	2013 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	444	354
Capital expenditure authorised but not contracted for in respect of:		
Investment of equity interest in an unlisted entity	—	187,355
Establishment of a subsidiary (note 42)	389,000	272,300
	<b>389,000</b>	459,655

### 36. CONTINGENT LIABILITY

On 16 November 2011, the High Court made a judgement (the "Judgement") in favour of a subsidiary of the Group to dismiss a claim from a supplier (the "Supplier").

On 23 July 2012, the Supplier has filed a notice of appeal against the Judgement (the "Appeal") and the Appeal was heard on 8 March 2013.

On 14 March 2013, the Court of Appeal ordered that the Appeal is allowed and the Judgement is set aside. The Court of Appeal also ordered that unless the dispute between the Supplier and the subsidiary of the Group can be settled by other means, the dispute should be remitted for a re-trial by another judge.

During the year of 2014, the case has been scheduled for hearing.

Based on the legal advice, the directors of the Company is of the opinion that the Group has meritorious defenses against the Supplier. Therefore no provision for this claim has been made in the consolidation financial statements for the year ended 31 December 2014.

Besides this case, there is no other contingency case proceeding for the year ended 31 December 2014.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 37. RELATED PARTY TRANSACTIONS

In addition to those balances with related parties disclosed in note 24, the Group has entered into the following significant transactions with related parties during the year.

#### (a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2014 and 2013 are as follows:

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	8,841	7,050
Post-employment benefits	163	95
	9,004	7,145

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

#### (b) Other related parties transaction

Name of company	Relationship	Nature of transaction	2014 HK\$000	2013 HK\$000
Long Rise Investment Development Limited	Common director	Rental charged therefrom	1,148	1,783

The above transaction was at terms determined and agreed by the Company and the relevant party and constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

#### (c) Guarantee provided by shareholders and a director of the Company

The promissory notes are secured by composite share mortgage by two substantial shareholders of the Company and the personal guarantee provided by a director of the Company. Details are set out in note 28.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 38. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a Share Option Scheme (the "Scheme") for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the years ended 31 December 2014 and 2013.

### 39. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2014, other borrowing of HK\$43,000,000 was arising from the early redemption of convertible bonds. Details are set out in note 26.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current asset			
Investment in a subsidiary		17,916	81,370
Current assets			
Other receivables		172	2,209
Amounts due from subsidiaries	(a)	428,217	32,100
Bank balances and cash		100	347
		428,489	34,656
Current liabilities			
Other payables		8,634	50
Promissory notes		9,375	—
Other borrowings		2,680	—
Amounts due to subsidiaries	(a)	—	954
		20,689	1,004
Net current assets		407,800	33,652
Total assets less current liabilities		425,716	115,022
Non-current liabilities			
Convertible bonds		104,989	—
Promissory notes		132,417	—
Other borrowings		40,320	—
		277,726	—
Net assets		147,990	115,022
Capital and reserves			
Share capital		4,760	4,160
Reserves	(b)	143,230	110,862
Total equity		147,990	115,022

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	<b>Share premium</b>	<b>Other reserve</b>	<b>Convertible</b>	<b>Accumulated</b>	<b>Total</b>
	HK\$'000	(Note) HK\$'000	bonds reserve HK\$'000	losses HK\$'000	HK\$'000
At 1 January 2013	43,607	81,270	—	(11,638)	113,239
Loss for the year and total comprehensive expense for the year	—	—	—	(2,377)	(2,377)
At 31 December 2013	43,607	81,270	—	(14,015)	110,862
Loss for the year and total comprehensive expense for the year	—	—	—	(71,930)	(71,930)
Issue of new shares	119,400	—	—	—	119,400
Transaction cost of issuance of new shares	(3,060)	—	—	—	(3,060)
Issue of convertible bonds	—	—	22,600	—	22,600
Early redemption of convertible bonds	—	—	(34,642)	—	(34,642)
Transfer to accumulated earnings upon early redemption of convertible bonds	—	—	20,496	(20,496)	—
At 31 December 2014	159,947	81,270	8,454	(106,441)	143,230

Note: The other reserve represents the difference between the nominal value of the shares issued for the acquisition of Wide Reach Limited ("Wide Reach") and the consolidated net asset value of Wide Reach and its subsidiaries at the date of acquisition.

(c) Financial guarantee contracts

At 31 December 2014 and 2013, the Company had given guarantees to banks of certain subsidiaries in respect of their machinery loan, other loan and banking facilities as set out in note 26.

The directors of the Company are of the opinion that it was not probable that the repayment of loans would be in default and that the fair value of the financial guarantee contracts is insignificant.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 41. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial years end date of 31 December 2014 and 2013:

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2014	2013	2014	2013	
Wide Reach	British Virgin Islands	Ordinary shares US\$3,000	100%	100%	—	—	Investment holding
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary shares US\$ 1	100%	N/A	—	N/A	Investment holding
Fornton Knitting Company Limited 豐臨針織有限公司	Hong Kong	Ordinary shares HK\$10,000,000	—	—	100%	100%	Trading of knitwear
Nice Regent Industries Limited 毅俊實業有限公司	Hong Kong	Ordinary shares HK\$10,000	—	—	100%	100%	Sub-contracting of knitted garments
Fornton Holdings Company Limited 豐臨控股有限公司	Hong Kong	Ordinary shares HK\$10,000	—	—	100%	100%	Trading of knitwear and investment holding
東莞豐正針織有限公司 (Note)	The PRC	Registered capital US\$8,000,000	—	—	100%	100%	Manufacturing and trading of knitwear
Fornton Apparel Company Limited	British Virgin Islands	Ordinary shares US\$1,000	—	—	100%	100%	Trading of knitwear
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US\$1,000	—	—	100%	100%	Inactive
Prokit Limited	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Inactive
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US\$1,000	—	—	100%	100%	Inactive
King All Investment Group Limited	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Inactive



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

## 41. SUBSIDIARIES OF THE COMPANY (Continued)

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2014	2013	2014	2013	
Sino Top Capital Resources Limited	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Finance leasing
山西華威融資租賃有限公司 (Note)	The PRC	Ordinary shares US\$35,000,000	—	N/A	100%	N/A	Finance leasing
World Channel Development Limited	British Virgin Islands	Ordinary shares US\$1	—	N/A	100%	N/A	Investment holding
Professional Leasing Limited 專業租賃有限公司	Hong Kong	Ordinary shares HK\$10,000	—	N/A	100%	N/A	Finance leasing

Note: Wholly foreign-owned enterprise established in the PRC

None of the subsidiaries had any debt securities issued subsisting at the end of both years or any time during both years.

## 42. EVENTS AFTER THE REPORTING PERIOD

- (i) Subsequent to the end of the reporting period, the directors of the Group has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry has been continuing for a while and they are of the view that it is likely to continue for some time. Details are set out in the announcement of the Company dated 12 January 2015.
- (ii) On 20 January 2015, the Company announced a proposed issuance of a 7% coupon unlisted corporate bonds in the aggregate principal amount of up to HK\$100,000,000 to strengthen the financial position of the Group. Up to the date of the report, HK\$3,000,000 of the corporate bonds has been subscribed. Issuance of the corporate bonds will be ended at the 180th day from the date of placing agreement.
- (iii) On 9 February 2015, the Group has established a wholly foreign-owned enterprise ("WFOE") named 融元融資租賃(上海)有限公司 (Rongyuan Leasing (Shanghai) Company Limited\*) in the PRC. The principal activity of the WFOE is engaged in finance leasing business in the PRC. The registered capital of the WFOE is US\$50,000,000 (equivalent to approximately HK\$389,000,000) which is not fully paid up to the report date.

\* The English translation is for identification purposes only.

# Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	<b>Year ended 31 December</b>				
	<b>2014</b> HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>RESULTS</b>					
Revenue	<b>287,950</b>	310,867	400,035	326,624	356,122
Cost of sales	<b>(230,712)</b>	(256,573)	(323,989)	(247,233)	(273,113)
Gross profit	<b>57,238</b>	54,294	76,046	79,391	83,009
Other operating income	<b>5,364</b>	4,240	5,457	3,933	6,421
Gain on early redemption of convertible bonds	<b>17,928</b>	—	—	—	—
Selling and distribution expenses	<b>(7,615)</b>	(9,441)	(9,567)	(9,669)	(13,589)
Administrative and other expenses	<b>(77,902)</b>	(56,118)	(53,361)	(57,051)	(41,857)
Finance costs	<b>(15,947)</b>	(350)	(641)	(700)	(407)
(Loss) profit before taxation	<b>(20,934)</b>	(7,375)	17,934	15,904	33,577
Income tax (expense) credit	<b>(2,506)</b>	186	(4,196)	(4,823)	(5,610)
(Loss) profit for the year	<b>(23,440)</b>	(7,189)	13,738	11,081	27,967
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations and total other comprehensive (expense) income	<b>(2,754)</b>	561	565	2,411	(264)
Total comprehensive (expense) income for the year	<b>(26,194)</b>	(6,628)	14,303	13,492	27,703
(Loss) earnings per share (HK cents) Basic and diluted	<b>(2.58)</b>	(0.86)	1.65	1.68	4.48

## Five Year Financial Summary (Continued)

### ASSETS AND LIABILITIES

	2014 HK\$'000	Year ended 31 December			
		2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>TOTAL ASSETS</b>	<b>565,631</b>	188,982	206,359	196,219	152,820
<b>TOTAL LIABILITIES</b>	<b>(354,314)</b>	(56,369)	(67,118)	(71,281)	(89,041)
<b>NET ASSETS</b>	<b>211,317</b>	132,613	139,241	124,938	63,779