ANNUAL REPORT 年報

2014

KITH HOLDINGS LIMITED
僑威集團有限公司

Stock Code 股份代號 : 1201

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Cheng Hung Mui
Mr. Zhang Xiaofeng
Mr. Zhou Jin
Mr. Tao Fei Hu
Mr. Wang Feng Wu
Mr. Wei Ren
Mr. Liu Qingchang
Mr. Liu Shihong

NON-EXECUTIVE DIRECTORS

Mr. Gou Min
Ms. Zhang Xiaohua Connie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Chung, Patrick
Mr. Lee Kwong Yiu
Mr. Wang Jinlin
Mr. Zhang Jianxing
Mr. Liang Zhong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1007 Tsim Sha Tsui Centre, West Wing
66 Mody Road
Tsim Sha Tsui
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
18/F., Devon House, Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road, Central,
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road, Causeway Bay
Hong Kong

WEBSITE

www.kithholdings.com

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:

	For the year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Profit/(loss) for the year	90,649	87,491	96,980	(646,976)	**105,074**
Attributable to:					
Owners of the Company	55,775	35,070	55,365	(676,091)	**65,171**
Non-controlling interests	34,874	52,421	41,615	29,115	**39,903**
	90,649	87,491	96,980	(646,976)	**105,074**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	695,071	656,684	748,730	663,281	**631,325**
Current assets	954,978	1,136,782	1,071,137	453,540	**468,249**
Current liabilities	(729,970)	(800,039)	(775,629)	(803,439)	**(694,754)**
Non-current liabilities	(44,738)	(39,308)	(47,519)	(42,368)	**(36,619)**
Net Assets	875,341	954,119	996,719	271,014	**368,201**
Attributable to:					
Owners of the Company	560,930	578,024	623,876	(52,703)	**10,304**
Non-controlling interests	314,411	376,095	372,843	323,717	**357,897**
Total Equity	875,341	954,119	996,719	271,014	**368,201**

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group continued to engage in printing and manufacturing of packaging products in the PRC. In relation to the business segment of distribution of other electronic and related products of the Company, the banking facilities for this business segment had continued to squeeze from the beginning of year 2013, and was frozen entirely on April 2013. As the trading business of this business segment relied mainly on the bank trading facilities and opening of documentary credits for purchases, consequently the Group was unable to provide purchases by the existing customers since May 2013. This, in turn, caused the business of this segment to come to a halt.

On 20 August 2014, subsidiaries engaged in distribution business were put into liquidation and the Group had exited from the business segment of distribution of other electronic and related products, for further details please refer to section headed Restructuring of the Group of this report.

RESULTS AND APPROPRIATIONS

Revenue

The turnover of the continuing operation was approximately HK$758,687,000 (2013: approximately HK$737,281,000), representing a slight increase of approximately 2.90%. The increment was mainly due to increment of sales order during the last quarter of the year. This, in turn, affected the sales of tobacco and related products.

The turnover of the distribution of television business-related products and distribution of other electronic and related products decreased from HK$244,565,000 to Nil for the year due to the cessation of the distribution of television business-related products and distribution of other electronic and related products since August 2014. The distribution of television business-related products and distribution of other electronic and related products are classified as discontinued business and the related financial information are disclosed in note 13.

Gross Profit

Gross profit of the Group increased from approximately HK$235,115,000 to approximately HK$238,290,000 in 2014 due to the effective cost control under the printing and manufacturing of packaging products.

FINANCIAL OVERVIEW

The Group's total turnover from the package printing business continuing operations of approximately HK$758,687,000 was 2.9% higher than that of 2013, which was a result of increase in the turnover of the package printing. Gross profit margin of the package printing business was a very healthy 31.4% and remains above 30% over many years.

The gross profit from continuing operations for the year increased by approximately HK$3,175,000, or 1.35% as compared to that of 2013.

Administrative expenses decreased from approximately HK$154,969,000 in 2013 to approximately HK$152,591,000 in 2014. The decrease was due to implementation of effective cost control measures.

The loss after tax for the year from continuing operations of approximately HK$32,334,000 in 2013 was turned around in 2014 to profit after tax of approximately HK$62,884,000.

The loss attributable to owners of the Company for the year turned around from approximately HK$676,091,000 in 2013 to profit of approximately HK$65,171,000 in 2014.

The turnaround to profitability of the Group’s result is primarily attributable to the combined effects of (i) the absence of one-off loss incurred in the Year 2013 attributable to the disposal of an associate and discontinued business; and (ii) the one-off gain from deconsolidation of the discontinued subsidiaries in the Year 2014, and (iii) the significant reduction in impairment loss on various assets in the Year 2014.

Basic earnings per share for the year ended 31 December 2014 increased to HK8.79 cents as compared to HK23.5 cents loss for 2013.

Working Capital

As at 31 December 2014, the Group had net current liabilities of approximately HK$226,505,000 (2013: HK$349,899,000). The current assets as at 31 December 2014 mainly comprised of inventories of approximately HK$147,799,000 (2013: HK$136,498,000), trade and other receivables, deposits and prepayments of approximately HK$265,495,000 (2013: HK$258,417,000), bank balances and cash of approximately HK$53,702,000 (2013: HK$56,758,000). The current liabilities mainly comprised of trade and other payables of approximately HK$193,235,000 (2013: HK$239,219,000), tax payables of an aggregate amount of approximately HK$5,136,000 (2013: HK$4,836,000).

A collective impairment allowance on trade receivables of HK$740,000 has been made in 2014, after taking into account the lengthening repayment period of the debtors and the macro economic condition in the People’s Republic of China (the “PRC”).

The net asset value of the Group as at 31 December 2014 amounted to approximately HK$368,201,000 versus approximately HK$271,014,000 as at 31 December 2013.

Liquidity and financial resources

At the end of the reporting period and at the date of this report, the Group has certain trust receipt loans, short-term bank borrowings and other loans that became overdue. Details of this are disclosed in note 25 to the consolidated financial statements.

In the opinion of the directors, the Group should be able to maintain itself as a going concern in the foreseeable future by generating sufficient cash flows from operations, in further re-scheduling of the settlement of the overdue amounts with respective lenders and in obtaining new replacement financing to meet its financial obligations as and when they fall due. Details of this are disclosed in note 2 to the consolidated financial statements.

As at 31 December 2014, the Group's aggregate bank and other borrowings amounted to approximately HK$494,706,000, which was lower than the total bank and other borrowings as at 31 December 2013 of approximately HK$517,308,000. The net gearing ratio, representing the interest bearing liabilities less bank balances and cash divided by total equity, is 119.8% in 2014 compared to 169.9% in 2013.

The majority of the sales and purchases for the package printing division are denominated in Renminbi ("RMB"). The Group has minimal exchange rate risk exposure because most of the corresponding sales and purchases are denominated in the same currencies.

EMPLOYMENT

As at 31 December 2014, the Group had approximately 1,000 employees (2013: approximately 1,000), most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including Directors' remuneration were approximately HK$98,267,000 (2013: HK$121,304,000). Salaries and wages are reviewed on an annual basis based on performance and other relevant factors.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

During the year, the management made reassessment on the Group's assets for the continuing operation. The Group made impairment loss on the trade receivables of approximately HK$740,000 for the year ended 31 December 2014.

PROSPECTS

The Company's shares are listed on the Stock Exchange and the trading in shares of the Company had been suspended since 18 December 2013. By a letter dated 18 February 2014 issued by the Stock Exchange to the Provisional Liquidators, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has placed the Company in the first stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that the Company was required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

- Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- Publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and

PROSPECTS (CONTINUED)

- Have the winding up petition against the Company being withdrawn or dismissed and the Provisional Liquidators being discharged.

and that the Company has demonstrated that it has a business of substance and the business model is viable and sustainable.

At the request of the listing division of the Stock Exchange, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal dated 4 August 2014 (the "Proposal").

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for resumption of trading in the shares of the Company.

By a letter dated 29 October 2014, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has decided to allow the Company to proceed with the Proposal and the subsequent submissions, subject to satisfying the following conditions by 31 March 2015:

1) Completion of the transactions under the Proposal;

2) Inclusion in an announcement or open offer prospectus:

   (a) a profit forecast for the two years ending 31 December 2015 and the period ending 30 June 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3);

   (b) a pro forma balance sheet upon completion of the Proposal; and

   (c) a statement from the directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the directors' statement.

3) Withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators; and

4) Publication of all outstanding financial results with any major audit qualifications properly addressed.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

On 25 March 2015, all resumption conditions set out in the letter from the Stock Exchange dated 29 October 2014 have been fulfilled.

The Company applied on 25 March 2015 to resume its trading of shares from 9:00 a.m 27 March 2015. On 27 March 2015, the share of the Company resumed its trading at the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Cheng Hung Mui

Ms. Cheng Hung Mui, aged 44, is a Hong Kong resident and an individual investor. Save for her beneficial interest in Double Key and position as director of Double Key, Ms. Cheng did not hold any other position with, or interest in, any other company. Ms. Cheng had served as director of PNF Food Holdings Limited (currently known as Sino Oil and Gas Holdings Ltd., the shares of which are listed on the main board of the Stock Exchange (stock code: 702)).

Mr. Zhang Xiaofeng

Mr. Zhang Xiaofeng, aged 43, is a PRC national and currently is a director of Double Key. Save for his interest in a private company, his position as director and interest in another private company and his position as director of Double Key, Mr. Zhang did not hold any other position with, or interest in, any other company. Mr. Zhang has over ten years of experience in securities investment. Mr. Zhang was the legal representative of 新疆玖隆投資有限公司 (translated as Xinjiang Jiu Long Investment Company Limited), a company incorporated in the PRC with limited liability in 2006 and the business scope covered infrastructure investment, mining, investment and development in forestry, agriculture and animal husbandry, and sales of, amongst others, chemical products, housewares and stationery. Mr. Zhang graduated from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in November 1998.

Mr. Zhou Jin

Mr. Zhou Jin, aged 55, was one of the founding members of Yunnan Qiaotong. He is currently the vice chairman of Yunnan Qiaotong, and is responsible for investment management and setting up of new production facilities and branches. Mr. Zhou is a senior economist in the PRC and graduated from the Chinese Academy of Social Sciences with a master degree in Commerce and Economics. Prior to joining the Group in March 1993, he was engaged in academic and research activities with a school and a governmental bureau respectively in Yunnan Province of the PRC.

Mr. Tao Fei Hu

Mr. Tao Fei Hu, aged 61, is the general manager of Anhui Qiaofeng, a subsidiary of the Company engaged in the business of printing and manufacturing of packaging products in the PRC. Prior to his appointment with Anhui Qiaofeng in January 2010, he was the deputy general manager and a founding member of Yunnan Qiaotong, a PRC subsidiary of the Company which also engages in the business of printing and manufacturing of packaging products. Mr. Tao has over 38 years of working experience in production and marketing management in the PRC.

Mr. Wang Feng Wu

Mr. Wang Feng Wu, aged 59, is the general manager and a founding member of Harbin Gaomei Printing Co., Ltd. and is responsible for its overall management. He is an economist in the PRC and a graduate of the Beijing Institute of Graphic Communication in the PRC. Mr. Wang joined the Group in March 1993. He had over 40 years of experience in production and management in the PRC's printing industry.

Mr. Wei Ren

Mr. Wei Ren, aged 39, is a PRC national and obtained a bachelor degree in International Economics from the Peking University in 1997. Mr. Wei was the chief financial officer of 深圳市容州產業投資有限公司 (translated as Shenzhen Rongzhou Industrial Investment Company) from 2012 to 2013.

Mr. Liu Qingchang

Mr. Liu Qingchang, aged 46, is a PRC national and obtained a master degree in Economics from the Shenzhen University in 2003. Mr. Liu served senior positions in China GrenTech Corporation Limited (a company once listed in NASDAQ and subsequently delisted) and Shenzhen Powercom Company Limited.

Mr. Liu Shihong

Mr. Liu Shihong, aged 42, is a PRC national. Mr. Liu Shihong graduated from the Nanjing University of Science and Technology in 1995 and served as the chief marketing officer in China Public Procurement Ltd. (the shares of which are listed on the main board of the Stock Exchange (stock code: 1094)) from 2009 to 2011.

NON-EXECUTIVE DIRECTORS

Mr. Gou Min

Mr. Guo Min, aged 43, is a PRC national and obtained a bachelor degree in Law from the Southwest University of Political Science and Law in 1995. Mr. Guo is currently the legal adviser of 成都吉創電子有限公司 (translated as Chengdu Ji Chuang Electronics Company Limited).

Ms. Connie Xiaohua Zhang

Ms. Connie Xiaohua Zhang, aged 40, is a national of United States of America. Ms. Zhang obtained a master degree in Business Administration from the Harvard University in 2002 and graduated from the Beijing University for undergraduate studies in International Economics in 1997. Ms. Zhang is the founder and president of Riley Creek Advisors, LLC, a private consulting company which helps green technology companies to market and sell their technologies and products to the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Chung, Patrick

Mr. Ho Chun Chung, Patrick, aged 50, is a Hong Kong resident. Mr. Ho is a certified public accountant and an associate member of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. Mr. Ho obtained from the City University of Hong Kong a master degree in Finance in 1996 and a postgraduate diploma in banking and finance in 1992. Mr. Ho served as the financial controller for Gold Peak Industries (Holdings) Ltd. (the shares of which are listed on the main board of the Stock Exchange (stock code: 40)) in 1999 and Chen Hsong Holdings Limited (the shares of which are listed on the main board of the Stock Exchange (stock code: 57)) from 2002 to 2005.

Mr. Lee Kwong Yiu

Mr. Lee Kwong Yiu, aged 52, has over nineteen years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators and is a China-Appointed Attesting Officer since 20 April 2006. Mr. Lee currently is the independent non-executive director of Sun Hing Vision Group Holdings Limited (Stock Code: 125) and was the independent non-executive director of ABC Communications (Holdings) Limited (Stock Code: 30) during the period from 19 June 2009 to 5 October 2014, both companies listed on the Main Board of the Stock Exchange.

Mr. Wang Jinlin

Mr. Wang Jinlin, aged 50, graduated from Zhejiang University and obtained a bachelor degree in 1984. He is a senior engineer and used to serve as deputy general manager of Jiaxing Silk Spinning Factory (嘉興絹紡廠), deputy general manager and general manager of Zhejiang Jinying Silk Spinning Co., Ltd. (浙江金鷹絹紡有限公司), and deputy general manager of Zhejiang Jinying Holding Limited, possessing rich experience in corporate management and practice. He was a member of CPPC of Jiaxing, a member of Chinese Silk Industry Association (中國絲綢工業協會) and vice chairman of the silk spinning branch of the Chinese Silk Industry Association.

Mr. Liang Zhong

Mr. Liang Zhong, aged 47, the general director of CN Finance Holdings Limited and the general manager of Shenzhen Fanhua Fund Management Services Co., Ltd., has more than twenty years of experience in finance. Mr. Liang worked in the People's Bank of China, Zhongshan branch, Guangdong Province, mainly responsible for financing business, setting up business department for Zhongshan Guangdong securities* (廣東證券中營業部), Zhongshan Securities Registration Company* (中山證券登記公司), Zhongshan Securities Company* (中山證券公司), as well as engaging in funding and corporate bond business. He was the chief representative of Everbright Assets Management Co., Ltd. (Zhongshan Branch) (光大資產管理有限責任公司中山分公司).

Mr. Zhang Jianxing

Mr. Zhang Jianxing, aged 48, graduated from Tongji University and received a bachelor of science degree in civil engineering. He has been employed by CDH Investments Management (Hong Kong) Limited ("CDH") since 2011, and his current position is operating managing director. Prior to joining CDH, from 2009 to 2011, he served as an operating director at China Resources Asset Management. From 2006 to 2009, he worked as a vice president at China Worldbest Group Co., Ltd. He currently is the executive director and the chief executive officer of New Focus Auto Tech Holdings Limited (Stock Code: 360), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Au Yeung Chi Hang, Jimmy
Mr. Au Yeung Chi Hang, Jimmy, aged 36, is the chief financial officer and company secretary of the Company. Mr. Au Yeung is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Au Yeung received a Bachelor of Commerce degree from the University of Melbourne, Australia. He has over 12 years of experience in accounting, corporate finance and financial advisory. Before joining the Company, he was an Associate Director of an international accounting firm.

Mr. Zhang Jing
Mr. Zhang Jing, aged 55, has been employed by Yunnan Qiaotong since its inception and is currently the general manager. He is responsible for the overall management of Yunnan Qiaotong. Mr. Zhang graduated from the People's University of China with a master degree in Business Administration.

Mr. Wen Jie
Mr. Wen Jie, aged 52, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the product design and technique development of Yunnan Qiaotong. Mr. Wen holds a bachelor degree of Science from the University of Yunnan in the PRC.

Mr. Jiang Fei
Mr. Jiang Fei, aged 53, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the management of production and workmanship of Yunnan Qiaotong. Mr. Jiang is an engineer in the PRC and holds a bachelor degree from the Kumming Industrial University of China.

Mr. Zhang Nan Zheng
Mr. Zhang Nan Zheng, aged 52, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the administration and management of procurement of Yunnan Qiaotong. Mr. Zhang has had over 15 years of procurement experience in the printing industry.

Mr. Chen Tong Kun
Mr. Chen Tong Kun, aged 50, was employed by Yunnan Qiaotong and has been transferred to Anhui Qiaofeng since its inception as the deputy general manager for production management of the operation. Mr. Chen is a graduate of the Beijing Institute of Graphic Communication in the PRC. He has had over 21 years of working experience in production technique management in the PRC's printing industry.

Mr. Huang Li San
Mr. Huang Li San, aged 48, has been employed by Anhui Qiaofeng since its inception, and is currently its deputy general manager and is responsible for the sales and marketing activities. Mr. Huang is an art designer and has had over 26 years of experience in the PRC's printing industry.

Mr. Li Li Bin
Mr. Li Li Bin, aged 50, has been employed by Anhui Qiaofeng since its inception and is currently its deputy general manager and is responsible for management of production facilities. Mr. Li has had over 24 years of experience in the PRC's printing industry.

CONFIRMATION OF INDEPENDENCE

Pursuant to Rule 3.13 of the Listing Rules, the independent non-executive Directors have confirmed with the Company in writing their independence from the Company in accordance with the relevant guidelines. The Company therefore considers that the independent non-executive Directors to be independent.

On behalf of the Board
Kith Holdings Limited

Zhang Xiaofeng
Director
Hong Kong, 24 April 2015

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Kith Holdings Limited (the "**Company**") (and together with its subsidiaries, the "**Group**") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Bermuda, and its principal place of business in Hong Kong, Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group continued its plant replacement policy and expended approximately HK$24,690,000 on property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS

Details of the charges on the Group's assets are set out in note 18 to the financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in the notes 31 and 32 to the consolidated financial statements.

SHARE CAPITAL

Movement in share capital of the Company is set out in note 27 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the financial year under review are set out on page 39 of this annual report and note 28 to the consolidated financial statement.

RESTRUCTURING OF THE GROUP

Proposed restructuring of the Group

Upon the application of China CITIC Bank International Limited (formerly known as CITIC Bank International Limited), a creditor of the Company, Messrs. Lai Kar Yan (Derek), Darach E. Haughey and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu have been appointed jointly and severally as provisional liquidators of the company pursuant to the order dated 27 January 2014 (Bermuda time) made by the Supreme Court of Bermuda.

Pursuant to the order dated 5 March 2014 made by the High Court of Hong Kong, Messrs. Lai Kar Yan (Derek), Darach E Haughey, Ho Kwok Leung Glen and Yeung Liu Ming (Edmund) of Deloitte Touche Tohmatsu have been appointed jointly and severally as provisional liquidators of the Company.

After the Provisional Liquidators' appointment, the Provisional Liquidators formed the view that a restructuring of the Company, possibly with (some of) its subsidiaries, would likely result in better recovery for its creditors as compared to liquidation. The focus of any restructuring of the Group will be the settlement of its liabilities arising from the Distribution Business.

The Provisional Liquidators had therefore negotiated with various interested parties, including Double Key International Limited (the "Investor"), in relation to a restructuring of the Group ("the Restructuring").

On 28 April 2014, an exclusivity agreement was entered into between the Investor, the Company and the Provisional Liquidators of the Company pursuant to which the Company agrees to grant the Investor an exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the exclusivity agreement and ending on the date falling 3 months after the date of the exclusivity agreement, unless extended by the parties in writing.

On 23 May 2014, the Investor had received valid acceptances in respect of 25,830,204 shares of the Company under the offer set out in the offer document dated 25 April 2014, representing approximately 9.88% of the existing issued share capital of the Company. With the acquisition of 131,000,000 shares (representing approximately 50.1% of the existing issued share capital of the Company) held by Accufit Investment Inc. on 18 December 2013, the Investor owns a total of approximately 59.98% of the ordinary shares of the Company.

On 16 June 2014, the Company, the Provisional Liquidators and the Investor entered into the restructuring deed to implement the restructuring of the indebtedness of the Group which contemplates, among others, (i) the scheme of arrangement of the Company and the scheme of arrangement of the Company's restructuring subsidiary, Ever Honest Industries Limited (the "Schemes") and (ii) the secured debt purchase (collectively the "Debt Restructuring"). The Investor shall make available an amount up to HK$485,600,000 for the implementation of the Debt Restructuring.

On 18 July 2014, the Court of First Instance of the Hong Kong Court sanctioned, among other things, the entering into the restructuring deed between the Company, the Provisional Liquidators and the Investor.

RESTRUCTURING OF THE GROUP (CONTINUED)

Winding-up of non-viable distribution subsidiaries

The Distribution Business came to a halt since May 2013. Both Kith Electronics Limited ("KEL") and Kith Resources Limited ("KRL"), wholly-owned subsidiaries of the Company, had ceased operation in May 2013 and cannot continue its business by reason of its liabilities. Accordingly, on 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up KEL and KRL respectively by way of a creditors' voluntary liquidation. At the respective creditors' meeting of KEL and KRL duly held on the same date, Messrs. Lai Kar Yan (Derek) and Mr. Darach E. Haughey were appointed as the joint and several liquidators of KEL and KRL.

Following the commencement of the winding-up on 20 August 2014, the financial results of KEL and KRL are deconsolidated from those of the Group.

Debt restructuring by way of 2 creditors' scheme of arrangement

On 16 September 2014 and 18 September 2014, the Hong Kong Court and the Bermuda Court respectively directed that a meeting be convened for the creditors of the Company for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between the Company and its creditors.

On 16 September 2014, the Hong Kong Court directed that a meeting be convened for the creditors of Ever Honest Industries Limited for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between Ever Honest Industries Limited and its creditors.

At the respective meetings of the creditors of the Company and Ever Honest Industries Limited held on 7 November 2014, the resolutions to approve the Schemes were duly passed pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Section 99 of the Companies Act 1981 of Bermuda (where applicable).

On 11 December 2014, the scheme of arrangement between the Company and its creditors was sanctioned by the Bermuda Court. On 27 January 2015, the Schemes were sanctioned by the Hong Kong Court and the total amount of HK$485,600,000 was subsequently made available by the Investor for the implementation of the Debt Restructuring.

On 18 March 2015, the Schemes became effective and all the claims against, and the liabilities of, the Company and Ever Honest Industries Limited were transferred to a company beneficially owned by the Investor on the same day.

RESTRUCTURING OF THE GROUP (CONTINUED)

Open offer

The Company raised approximately HK$90,200,000, before expenses, by way of open offer of 130,726,800 shares at the subscription price of HK$0.69 per offer share on the basis of one offer share for every two existing shares.

As at 4:00 p.m. on 10 March 2015, being the latest time for acceptance of, and payment for, the offer shares and application and payment for the excess offer shares, (i) a total of 9 valid acceptances for 83,224,552 Offer Shares were received, representing approximately 63.66% of the total number of 130,726,800 offer shares available for subscription under the open offer; and (ii) a total of 5 valid application for the excess offer shares were received for a total of 2,172,661,758 offer shares, representing approximately 1,661.99% of the total number of 130,726,800 Offer Shares available for subscription under the open offer. There were 47,502,248 offer shares available for excess applications.

As a result of over-subscription of the offer shares, obligations of the Investor and Guoyuan Securities Brokerage (Hong Kong) Limited regarding the subscription of the offer shares not taken up and their related obligation arising thereto under the underwriting agreement have been discharged.

All the conditions to the open offer were fulfilled on 18 March 2015, and allotment and issue of the offer shares took place on the same day.

DIRECTORS

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

Executive Directors
Ms. Cheng Hung Mui (appointed on 27 June 2014)
Mr. Zhang Xiaofeng (appointed on 27 June 2014)
Mr. Zhou Jin
Mr. Tao Fei Hu
Mr. Wang Feng Wu
Mr. Wei Ren (appointed on 27 June 2014)
Mr. Liu Qingchang (appointed on 27 June 2014)
Mr. Liu Shihong (appointed on 27 June 2014)
Mr. Hui King Chun, Andrew (removed on 27 June 2014)
Mr. Hui Bin Long (removed on 27 June 2014)

Non-executive Directors
Mr. Gou Min (appointed on 27 June 2014)
Ms. Zhang Xiaohua Connie (appointed on 27 June 2014)

DIRECTORS (CONTINUED)

Independent Non-executive Directors
Mr. Ho Chun Chung, Patrick (appointed on 27 June 2014)
Mr. Lee Kwong Yiu (appointed on 24 March 2015)
Mr. Wang Jinlin (appointed on 24 March 2015)
Mr. Zhang Jianxing (appointed on 24 March 2015)
Mr. Liang Zhong (appointed on 24 March 2015)
Mr. Lai Canhui (appointed on 27 June 2014 and resigned on 31 July 2014)
Mr. Ng Chi Yeung, Simon (resigned on 1 July 2014)
Mr. Tam Yuk Sang, Sammy (resigned on 1 July 2014)

By virtue of bye-law 87 of the bye-laws of the Company, Mr. Wang Feng Wu shall retire by rotation and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

By virtue of bye-law 86 of the bye-laws of the Company, Ms. Cheng Hung Mui, Mr. Zhang Xiaofeng, Mr. Liu Qingchang, Mr. Wei Ren, Mr. Liu Shihong, Mr. Gou Min, Ms. Zhang Xiaohua Connie, Mr. Ho Chun Chung, Patrick, Mr. Lee Kwong Yiu, Mr. Wang Jinlin, Mr. Liang Zhong and Mr. Zhang Jianxing shall hold office only until the forthcoming annual general meeting. Ms. Cheng Hung Mui, Mr. Zhang Xiaofeng, Mr. Gou Min, Mr. Ho Chun Chung, Patrick, Mr. Lee Kwong Yiu, Mr. Wang Jinlin, Mr. Liang Zhong and Mr. Zhang Jianxing, being eligible, offer themselves for re-election. Mr. Liu Qingchang, Mr. Wei Ren, Mr. Liu Shihong and Ms. Zhang Xiaohua Connie will not seek for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

DIRECTOR'S SERVICE CONTRACTS

The executive Directors, namely Mr. Zhou Jin and Mr. Wang Feng Wu were appointed without a fixed term on 27 May 1998 and 12 May 1998 respectively. Under the Listing Rule 13.69, Directors' service contracts entered into by the issuer or any of its subsidiaries in accordance with the Exchange Listing Rules on or before 31 January, 2004 are exempt from the shareholders' approval requirement under rule 13.68.

The executive Directors, namely Mr. Tao Fei Hu, Ms. Cheng Hung Mui, Mr. Zhang Xiaofeng, Mr. Wei Ren, Mr. Liu Qingchang and Mr. Liu Shihong have entered into service agreements with the Company for a term of 2 years commencing from 6 August 2013 and 27 June 2014, respectively.

The non-executive Directors, namely Mr. Gou Min and Ms. Zhang Xiaohua have entered into service agreements with the Company for a term of 2 years commencing from 27 June 2014.

The independent non-executive Directors, namely Mr. Ho Chun Chung, Patrick, Mr. Lee Kwong Yiu, Mr. Wang Jinlin, Mr. Liang Zhong and Mr. Zhang Jianxing have entered into service agreements with the Company for a term of 2 years commencing from 27 June 2014 and 24 March 2015, respectively.

DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, none of the Directors, chief executives and their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("**SFO**"), or otherwise as required to be notified to the Company and Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest of Controlled Corporation	156,830,204 *(Note)*	59.98%

Note: The shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% Shareholding interest.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the special general meeting of the Company held on 13 June 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12 June 2022. Under the Scheme, the Board may grant options to all Directors of the Company (including independent non-executive Directors) and any fulltime/ part time employees of the Group, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per each grant of option(s). Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No share options were granted or exercised during the years ended 31 December 2014. No share options were outstanding as at 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the section headed "Share Capital" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any Directors (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

As at the end of the year or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES

As at 31 December 2014, the following shareholders (other than the Directors or chief executives of the Company whose interests in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors' interests in the shares, underlying shares and debentures" above) had interests in the shares, underlying shares and debentures of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Long position

Name	Capacity	Number of shares	Approximate % of the Company's issued share capital
Cheng Hung Mui	Interest of controlled corporation	156,830,204 *(Notes 2)*	59.98%
Double Key International Limited	Beneficial owner	156,830,204 *(Notes 2)*	59.98%
Basab Inc.	Trustee	30,000,000 *(Note 3)*	11.47%
Chen Lihua	Person having a security interest in shares	30,000,000 *(Note 1)*	11.47%
Hui King Chun	Held by trust	30,000,000 *(Note 3)*	11.47%
Hui Ngai Hing Abbie	Interest of controlled corporation	30,000,000 *(Note 3)*	11.47%
Safeguard Trustee Limited	Trustee	30,000,000 *(Note 3)*	11.47%
Superb Glory Holdings Limited	Person having a security interest in shares	30,000,000 *(Note 1)*	11.47%

Note 1: These shares are registered in the name of Accufit Investments Inc., and are subject to a share charge in favour of Superb Glory Holdings Limited. Superb Glory Holdings Limited is 100% owned by Chen Lihua.

Note 2: The Shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% Shareholding interest.

Note 3: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Hui King Chun. Hui Ngai Hing Abbie is the sole shareholder and director of Basab Inc.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

During the year, the Group has entered into sales transaction with Yunnan Zhaotong Cigarette Factory, Hongta Tobacco (Group) Company Limited ("Zhaotong Cigarette Factory"), which is a subsidiary of Yunnan Hongta Group Company Limited, a 10% equity shareholder in a subsidiary of the Company, amounting to approximately HK$246,967,000. The Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of the Listing Rules, and the independent non-executive Directors of the Company have confirmed that these transactions were carried out in compliance with the conditions set out in the waivers granted by the Stock Exchange, other than shareholder's approval on the annual cap which to be obtained at the forthcoming annual general meeting. In addition, the Group has entered into sales and purchase transactions with certain cigarette factories in Yunnan, amounting to approximately HK$464,013,000 and HK$62,716,000 respectively who are fellow subsidiaries of Zhaotong Cigarette Factory.

The independent non-executive Directors confirm that the above transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement, if any, governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor has confirmed to the Board that (i) the above transactions have been approved by the Board, (ii) for transactions involving the provision of goods or services by the Group, these transactions are in accordance with the pricing policies of the Company, (iii) the above transactions have been entered into in accordance with the relevant agreements governing the transactions and (iv) the aggregate sales amount of approximately HK$758,687,000 have not exceeded the annual cap disclosed in the Company's circular dated 28 June 1999.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 78% of the Group's total turnover for the year. In particular, sales to the largest customer of the group accounted for approximately 38% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 62% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 22% of the Group's total purchases for the year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

INTERESTS IN COMPETITORS

During the year, none of the Directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The trading in the shares of the Company remained in suspension throughout the year ended 31 December 2014. The trading in the shares of the Company has been resumed on 27 March 2015 and the Company has maintained a sufficient public float upto the date of this report.

DONATION

During the year, the Group made charitable donation amounting to approximately HK$2,271,000.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2014 are set out in note 34 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 36 to the consolidated financial statements.

AUDITOR

Messrs Graham H.Y. Chan & Co., resigned as auditor of the Company with effect from 10 July 2014. Messrs ZHONGHUI ANDA CPA Limited has been appointed as auditor of the Company on 27 August 2014. The audited consolidated financial statements of the company for the year ended 31 December 2013 and 2014 were audited by ZHONGHUI ANDA CPA Limited. Save as disclosed herein, there has been no other changes of auditor of the Company in any of the preceding three years. ZHONGHUI ANDA CPA Limited will retire at the forthcoming annual general meeting and a resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Kith Holdings Limited

Zhang Xiaofeng
Director
Hong Kong, 24 April 2015

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in current Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

As Provisional Liquidators were appointed during the year ended 31 December 2014 and the Shares has resumed trading on the Stock Exchange since 27 March 2015, the Company and the Directors will strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. As at the date of this report, save for the deviations disclosed in this report, the Company has rectified all the deviations from the CG Code.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of List Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions.

None of the existing directors is aware of any information that would reasonably indicate that the Company or any of its existing directors is not or was not in compliance with the CG Code and upon specific enquiry of all existing directors, the existing directors confirmed that they have complied with the Model Code for any part of the year ended 31 December 2014. The Model Code also applies to other specified senior management of the Group.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors:	Ms. Cheng Hung Mui
	Mr. Zhang Xiaofeng
	Mr. Zhou Jin
	Mr. Tao Fei Hu
	Mr. Wang Feng Wu
	Mr. Wei Ren
	Mr. Liu Qingchang
	Mr. Liu Shihong
Non-Executive Directors:	Mr. Gou Min
	Ms. Zhang Xiaohua Connie

Independent Non-Executive Directors:	Mr. Ho Chun Chung, Patrick
	Mr. Lee Kwong Yiu
	Mr. Wang Jinlin
	Mr. Zhang Jianxing
	Mr. Liang Zhong

The Board comprises of eight executive Directors, two non-executive Directors and five independent non-executive Directors. One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Biographical details of the directors are set out in the section of "Directors and Senior Management's Biographical Information" on pages 8 to 12.

The main focus of the Board is on the formulation of overall strategies and policies of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

The independent non-executive Directors are from professional background with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills and expertise ensure strong independent views and judgment in the Board. They also serve important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the independence criteria as set out under the guidelines by the Listing Rules.

Since the discharge of the Provisional Liquidators on 20 February 2015 and 23 February 2015. All directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its directors.

Appointment, Re-election and Removal of Directors

Since the discharge of the Provisional Liquidators on 20 February 2015 and 23 February 2015. The Company has established formal and transparent procedures for the appointment and succession planning of Directors.

All Directors are appointed for specific tenures which shall be subject to retirement by rotation at least once every three years and subject to reelection at the annual general meeting.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged external/in-house trainings for Directors in the form of seminar and provision of training materials.

Board meeting and Directors' Attendance

The individual attendance record of each Director at the Board meetings (not including other ad hoc meetings of the Board held from time to time), audit committee meetings, nomination committee meeting, remuneration committee meeting and general meetings during the year ended 31 December 2014 is set out below:

	Attendance/Number of Meetings				
Name of Directors	**Audit Committee Meetings**	**Nomination Committee Meetings**	**Remuneration Committee Meetings**	**Board Meetings**	**General Meetings**
Cheng Hung Mui	N/A	N/A	N/A	0/2	N/A
Zhang Xiaofeng	N/A	N/A	N/A	2/2	N/A
Zhou Jin	N/A	N/A	N/A	0/2	N/A
Tao Fei Hu	N/A	N/A	N/A	0/2	N/A
Wang Feng Wu	N/A	N/A	N/A	0/2	N/A
Wei Ren	N/A	N/A	N/A	1/2	N/A
Lui Qingchang	N/A	N/A	N/A	1/2	N/A
Liu Shihong	N/A	N/A	N/A	1/2	N/A
Gou Min	N/A	N/A	N/A	2/2	N/A
Zhang Xiaohua Connie	N/A	N/A	N/A	0/2	N/A
Ho Chun Chung, Patrick	N/A	N/A	N/A	2/2	N/A
Lee Kwong Yiu	N/A	N/A	N/A	N/A	N/A
Wang Jinlin	N/A	N/A	N/A	N/A	N/A
Zhang Jianxing	N/A	N/A	N/A	N/A	N/A
Liang Zhong	N/A	N/A	N/A	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The code provision A.2.1 of the CG Code provides, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year ended 31 December 2014, the Company did not appoint a chairman nor chief executive. The Board will keep reviewing the structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the posts of chairman or chief executive as appropriate.

Under code provision A.2.7 of the CG Code, the chairman of board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have the chairman, no such meeting was held in this regard for the year ended 31 December 2014 and to the date of this report.

BOARD COMMITTEES

As at the date of this report, the Board has established three committees, namely, the audit Committee (the "Audit Committee"), the nomination Committee (the "Nomination Committee") and the remuneration Committee (the "Remuneration Committee") of the Company, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Each Board committee consists of a majority of and is chaired by independent non-executive directors ("INED"). The list of the chairman and members of each Board committee as at the date of this report is set out below:

Audit Committee

Mr. Ho Chun Chung, Patrick *(Chairman) (INED)*
Mr. Lee Kwong Yiu *(INED)*
Mr. Wang Jinlin *(INED)*

Remuneration Committee

Mr. Lee Kwong Yiu *(Chairman) (INED)*
Mr. Zhang Xiaofeng *(executive director)*
Mr. Ho Chun Chung, Patrick *(INED)*

Nomination Committee

Mr. Lee Kwong Yiu *(Chairman) (INED)*
Mr. Zhang Xiaofeng *(executive director)*
Mr. Ho Chun Chung, Patrick *(INED)*

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 March 2015 with written terms of reference. As at the date of this report, the Audit Committee comprises three independent non-executive directors and one of whom possesses the appropriate business and financial experience and skills to understand the accounts of the Group. The committee is chaired by Mr. Ho Chun Chung, Patrick and other members are Mr. Lee Kwong Yiu and Mr. Wang Jinlin.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors with reference to the work performed by the external auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

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

The Group's financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee, who is of opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Provisional liquidators were appointed during the year ended 31 December 2014 and no Audit Committee member was appointed and no meeting of such committee was held during the year.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 24 March 2015 with written terms of reference. The Nomination Committee is currently composed of the two independent non-executive directors, namely Mr. Lee Kwong Yiu (Chairman of the committee), Mr. Ho Chun Chung, Patrick and one executive director Mr. Zhang Xiaofeng. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and succession planning for the Directors.

The Nomination Committee formulated the board diversity policy of the Company (the"Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience,skills, knowledge and length of service. 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. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

Provisional liquidators were appointed during the year ended 31 December 2014 and no Nomination Committee member was appointed and no meeting of such committee was held during the year.

REMUNERATION COMMITTEE

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive Directors and senior management.

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The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons with additional incentives to improve the Company's performance.

The Remuneration Committee was formed on 24 March 2015 with written terms of reference, which includes the executive director, Mr. Zhang Xiaofeng, two independent non-executive directors, Mr. Lee Kwong Yui (chairman of the committee) and Mr. Ho Chun Chung, Patrick. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

Provisional liquidators were appointed during the year ended 31 December 2014 and no Remuneration Committee member was appointed and no meeting of such committee was held during the year.

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	4

Further particulars relating to Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 15 to the consolidated financial statements.

COMPANY SECRETARY

The former company secretary Mr. Chan Tak On, had left the position of Company secretary since 21 March 2014. The Company has no company secretary until Mr. Au Yeung Chi Hang, Jimmy was appointed on 16 March 2015.

The company secretary supports the Board by ensuring information flow within the Board and that the Board policy and procedures are followed. The company secretary is responsible for advising the Board on the corporate governance matters and professional development of the Directors.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The responsibilities of the external auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 32.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the total remuneration of the Group's auditor for statutory audit services was approximately HK$1,450,000. The Group also paid to the Group's auditor of approximately HK$395,000 for non-auditing services. Non-auditing services comprised the review of results announcements and unaudited interim financial statements of the Group and reports or letters in relation to the share resumption proposal and shareholders' response documents of the Company.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) 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 to vote at general meetings of the Company may, by written requisition to the Board or the Company Secretary(ies) signed and deposited in accordance with the Bye-laws of the Company, Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Communication with shareholders and investors

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an executive Director, as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will be commonly be present and available to answer questions and Shareholders may also contact the Company Secretary to direct their written enquiries.

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.kithholdings.com, where updates on the Company's business developments and operations, financial information and news can always be found. There was no significant change in the Company's constitutional documents.

CODE OF CONDUCT

The Company is committed to high standard of business ethics and integrity. A code of conduct is enforced on all employees of the Group. The employees at all levels are expected to act in an honest, diligent and responsible manner. No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Business partners and customers are reminded from time to time that its policy forbids any employee or agent of the Group from accepting any gift from them.

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF KITH HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kith Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 94, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BASIS FOR DISCLAIMER OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013 (the "2013 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of the limitations in the scope of our audit and the material uncertainty in relation to going concern basis, and details of which are set out in our audit report dated 9 January 2015. Accordingly, we were then unable to form an opinion as to whether the 2013 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the Group's results and cash flows for that year then ended.

2. Limited accounting books and records of discontinued operations and the gain on deconsolidation of discontinued liquidating subsidiaries

Due to the cessation of the Group's distribution of television business-related products and distribution of other electronic and related products and the changes of management and directors during the year, the new Directors were unable to locate the complete set of accounting books and records in respect of certain of the Company's wholly-owned subsidiaries in relation to the Group's discontinued operations (collectively "these Subsidiaries") for the year ended 31 December 2014 and 2013.

As such, we were unable to obtain sufficient supporting documentation and explanations to carry out audit procedures to satisfy ourselves as to whether the loss of approximately HK$3,543,000 for the period from 1 January 2014 to 20 August 2014 (effective date of liquidation) and the deconsolidated assets and liabilities as at that dates as presented in note 13 to the consolidated financial statements respectively, and the related disclosure notes in relation to these Subsidiaries.

In view of the circumstances as mentioned in the preceding paragraphs, we were also unable to carry out audit procedures to satisfy ourselves as to whether the gain on deconsolidation of discontinued liquidating subsidiaries of approximately HK$45,733,000 included in the consolidated statement of profit or loss and other comprehensive income was fairly stated.

Any adjustments that are found necessary in relation to matters as described in points 1 and 2 above might have consequential effect on the Group's results and cash flows for the two years ended 31 December 2014 and 2013 and the financial positions of the Group as at 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter as described in the basis for qualified opinion paragraphs, 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 its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been property prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Practising Certificate Number P05988
Hong Kong, 26 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*
Continuing operation			
Revenue	*8*	**758,687**	737,281
Cost of sales		**(520,397)**	(502,166)
Gross profit		**238,290**	235,115
Other income	*9*	**11,023**	13,506
Distribution and selling expenses		**(3,961)**	(3,528)
Administrative expenses		**(152,591)**	(154,969)
Profit from operation		**92,761**	90,124
Impairment loss on various assets		**(740)**	(34,184)
Fair value loss on held-for-trading investments		**3**	(351)
Impairment loss on available-for-sale investments		**–**	(2,635)
Loss on disposal of available-for-sale investments		**(7,364)**	–
Share of loss of an associate		**–**	(364)
Loss on disposal of an associate		**–**	(44,413)
Profit from operation		**84,660**	8,177
Finance costs	*11*	**(6,120)**	(20,524)
Profit/(loss) before tax		**78,540**	(12,347)
Income tax	*12*	**(15,656)**	(19,987)
Profit/(loss) for the year from continuing operation		**62,884**	(32,334)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*13*	**42,190**	(614,642)
Profit/(loss) for the year	*14*	**105,074**	(646,976)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(3,681)**	19,439
Fair value changes on available-for sale investments		**–**	(1,718)
		(3,681)	17,721
Items that will not be reclassified to profit or loss:			
Deficit arising on revaluation of property, plant and equipment		**–**	(19,742)
Deferred tax effect arising on revaluation of property, plant and equipment		**–**	4,146

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Total other comprehensive (loss)/income for the year, net of tax		**(3,681)**	2,125
Total comprehensive income/(loss) for the year		**101,393**	(644,851)
Profit/(loss) for the year attributable to:			
Owners of the Company			
From continuing operation		**22,981**	(61,449)
From discontinued operations		**42,190**	(614,642)
Profit/(loss) attributable to owners of the Company		**65,171**	(676,091)
Non-controlling interests			
From continuing operation		**39,903**	29,115
		105,074	(646,976)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**62,926**	(676,809)
Non-controlling interests		**38,467**	31,958
		101,393	(644,851)
Earnings/(loss) per share	*17*		
Basic and diluted (cents per share)			
From continuing operation		**8.79**	(23.50)
From discontinued operations		**16.14**	(235.09)
From continuing and discontinued operations		**24.93**	(258.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**561,458**	601,066
Prepaid land lease payments	19	**41,731**	42,236
Deposits paid for acquisition of property, plant and equipment		**22,457**	1,539
Available-for-sale investments	20	**5,679**	18,440
		631,325	663,281
Current assets			
Inventories	21	**147,999**	136,498
Trade and other receivables, deposits and prepayments	22	**265,495**	258,417
Prepaid land lease payments	19	**613**	613
Short-term loans receivable		**–**	811
Held-for-trading investments		**440**	443
Bank and cash balances	23	**53,702**	56,758
		468,249	453,540
Current liabilities			
Trade and other payables	24	**193,235**	239,219
Tax payables		**5,136**	4,836
Dividend payable to non-controlling shareholders		**1,677**	42,076
Borrowings	25	**494,706**	517,292
Obligations under finance leases		**–**	16
		694,754	803,439
Net current liabilities		**(226,505)**	(349,899)
Total assets less current liabilities		**404,820**	313,382

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	**36,619**	42,368
NET ASSETS		**368,201**	271,014
Capital and reserves			
Share capital	27	**26,145**	26,145
Reserves	28(a)	**(15,841)**	(78,848)
Equity attributable to owners of the Company		**10,304**	(52,703)
Non-controlling interests		**357,897**	323,717
TOTAL EQUITY		**368,201**	271,014

The consolidated financial statements on pages 35 to 94 were approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

Zhang Xiaofeng	**Wei Ren**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company													
	Share capital	Capital redemption reserve	Share premium	Asset revaluation reserve	Enterprise expansion fund	Reserve fund	Other reserve	Capital reserve	Foreign currency translation reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	26,145	624	74,215	52,970	23,778	27,185	79,143	(200)	110,196	1,718	228,102	623,876	372,843	996,719
Total comprehensive loss for the year	–	–	–	(9,927)	–	–	–	–	10,927	(1,718)	(676,091)	(676,809)	31,958	(644,851)
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(1,534)	–	–	–	–	–	–	1,534	–	–	–
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	230	–	–	–	–	–	–	–	230	154	384
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(81,238)	(81,238)
Transfer to enterprise expansion reserve	–	–	–	–	23,923	–	–	–	–	–	(23,923)	–	–	–
Transfer to reserve fund	–	–	–	–	–	2,831	–	–	–	–	(2,831)	–	–	–
At 31 December 2013	26,145	624	74,215	41,739	47,701	30,016	79,143	(200)	121,123	–	(473,209)	(52,703)	323,717	271,014
At 1 January 2014	26,145	624	74,215	41,739	47,701	30,016	79,143	(200)	121,123	–	(473,209)	(52,703)	323,717	271,014
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(2,245)	–	65,171	62,926	38,467	101,393
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(543)	–	–	–	–	–	–	543	–	–	–
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	81	–	–	–	–	–	–	–	81	28	109
Gain on deconsolidation of discontinued liquidating subsidiaries	–	–	–	(34)	–	(4)	–	–	–	–	38	–	–	–
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(4,315)	(4,315)
Transfer to enterprise expansion reserve	–	–	–	–	21,696	–	–	–	–	–	(21,696)	–	–	–
At 31 December 2014	26,145	624	74,215	41,243	69,397	30,012	79,143	(200)	118,878	–	(429,153)	10,304	357,897	368,201

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit/(loss) before tax		
From continuing operation	**78,540**	(12,347)
From discontinued operations	**42,190**	(614,630)
Adjustments for:		
Finance costs	**9,465**	30,754
Interest income	**(479)**	(423)
Depreciation	**59,358**	55,106
Amortisation	**672**	1,011
Impairment loss on various assets	**740**	626,633
Impairment loss on available-for-sale investments	**–**	2,635
Loss on disposal of available-for-sale investments	**7,364**	–
Fair value gain on other financial assets	**3**	–
Loss on disposal of property, plant and equipment	**890**	–
Loss on disposal of an associate	**–**	44,413
Share of loss of an associate	**–**	364
Gain on deconsolidation of discontinued liquidating subsidiaries	**(45,733)**	–
Operating cash flows before working capital changes	**153,010**	133,516
Change in inventories	**(11,499)**	27,021
Change in trade and other receivables, deposits and prepayments	**(7,819)**	(65,761)
Change in loan receivables	**811**	51,843
Change in held-for-trading investments	**–**	353
Change in trade and other payables	**(1,133)**	19,646
Cash generated from operations	**133,370**	166,618
Interest received	**479**	536
Tax paid	**(19,380)**	(29,864)
Net cash generated from operating activities	**114,469**	137,290
Cash flows from investing activities		
Purchase of property, plant and equipment	**(24,690)**	(35,550)
Net cash inflow on deconsolidation of subsidiaries	**(274)**	–
Proceeds from disposal of available-for-sale investments	**5,397**	–
Proceeds from disposal of property, plant and equipment	**475**	723
Proceeds from disposal of an associate	**–**	10,924
Deposits paid for acquisition of property, plant and equipment	**(20,915)**	–
Changes in pledged bank deposit	**–**	1,009
Net cash used in investing activities	**(40,007)**	(22,894)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	HK$'000	*HK$'000*
Cash flows from financing activities		
New long-term bank loans raised	**148,178**	–
New other loans raised	**5,000**	94,000
Issuance costs of new other loans paid	**–**	(1,234)
Net decrease in trust receipt loans	**–**	(43,333)
Net decrease in factoring loans	**(148)**	(5,409)
Repayment of long-term bank loans	**(178,761)**	(85,310)
Repayment of other loans	**–**	(10,234)
Repayment of obligation under finance lease	**(16)**	(359)
Interest on bank and other loans paid	**(9,464)**	(16,187)
Interest on finance lease paid	**(1)**	(29)
Dividends paid to non-controlling shareholders of subsidiaries	**(44,696)**	(54,220)
Net cash used in financing activities	**(79,908)**	(122,315)
Net decrease in cash and cash equivalents	**(5,446)**	(7,919)
Cash and cash equivalents at beginning of year	**47,675**	53,170
Effect of changes in foreign exchange rate	**(754)**	2,424
Cash and cash equivalents at end of year	**41,475**	47,675
Analysis of cash and cash equivalents		
Bank and cash balances	**53,702**	56,758
Bank overdrafts	**(12,227)**	(9,083)
	41,475	47,675

1. GENERAL INFORMATION

Kith Holdings Limited (the“ Company”) was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the directors of the Company (the“ Directors”), the Company's controlling shareholder is Double Key International Limited (the “Controlling Shareholder” or “Investor”). The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007 Tsim Sha Tsui Centre, West Wing 66 Mody Road, Tsim Sha Tsui, Kowloon respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the trading in shares of the Company has been suspended since 18 December 2013.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively “the Group”) were principally engaged in printing and manufacturing of packaging products (the “Packaging Printing Business”). In prior year, the Group were also engaged in distribution of television business-related products and distribution of other electronic and related products (the “Distribution Business”) and these operations came to a halt since May 2013 and the Group exited the Distributor Business on 20 August 2014. The principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

2. BASIS OF PREPARATION

Completion of the Group's proposed restructuring and expected resumption of trading in the shares of the Company

Since 18 December 2013, trading in the shares of the Company on the Stock Exchange has been suspended. On 14 January 2014, a petition to wind up the Company was presented to the High Court of Hong Kong (the “Hong Kong Court”) and on 15 January 2014, a petition to wind up the Company was presented to the Supreme Court of Bermuda (the “Bermuda Court”). The provisional liquidators were appointed by the Bermuda Court and the Hong Kong Court on 27 January 2014 and 5 March 2014 respectively. Further historical background of the restructuring of the Group are set out on pages 35 to 40 of the annual report of the Company for the financial year ended 31 December 2013.

On 20 February 2015 (Bermuda time), the Bermuda Court granted leave to withdraw the Bermuda Petition and ordered the provisional liquidators of the Company be discharged. On 23 February 2015, the Hong Kong Court order that, among others, the Hong Kong Petition be dismissed, the provisional liquidators of the Company be discharged and the adjourned hearing for Hong Kong Petition on 4 March 2015 be vacated.

The Company raised approximately HK$90,200,000 before expenses, by way of open offer. All the offer shares were taken up by the qualifying shareholders (including by way of excess application). All the conditions to the open offer were fulfilled on 18 March 2015, and allotment and issue of the offer shares took place on the same day.

2. BASIS OF PREPARATION (CONTINUED)

By orders dated 11 December 2014 and 27 January 2015, the Bermuda Court and the Hong Kong Court have sanctioned the respective schemes of arrangement between i) the Company and its creditors and ii) Ever Honest Industries Limited and its creditors (the "Schemes"). Copies of the said Orders of the Bermuda Court and the Hong Kong Court were duly delivered to the Registrar of Companies in Bermuda and in Hong Kong for registration on 28 January 2015 (Bermuda time) and 4 February 2015 respectively. The total amount HK$485,600,000 was subsequently made available by the Investor for the implementation of the Debt Restructuring. On 18 March 2015, the Schemes became effective and all the claim against, and liabilities of, the Company and Ever Honest Industries Limited were transferred to the Investor on the same day. Details of which are set out in the Company's announcements dated 4 December 2014 and 27 January 2015.

On 25 March 2015, all resumption conditions set out in the letter from the Stock Exchange dated 29 October 2014 have been fulfilled. The Directors expected that the resumption of trading in the shares of the Company with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 25 March 2015.

Further details of the above are described in the Company's announcements dated 4 December 2014, 27 January 2015, 18 March 2015 and 25 March 2015 (the "Announcements"). Unless otherwise specified, capitalized terms used herein shall have the same meanings as defined in those Announcements.

Going concern

As at 31 December 2014, the Group had net current liabilities of approximately HK$226,505,000 (2013: HK$349,899,000). In view of these circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors, the Group should be able to continue as a going concern in the coming year taking into consideration of the completion of the Debt Restructuring to improve the Group's financial position.

2. BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

Upon the Schemes being effective on 18 March 2015, all the claims against, and liabilities of, the Company and Ever Honest Industries Limited which mainly represent the Group's borrowings and trade and other payables (collectively the "Restructured Debts") were transferred and payable to the Investor. The Investor has agreed not to demand for the repayment of the Restructured Debts at least for the next twelve months from the date of these consolidated financial statements so as to sustain the Group's ability to continue as a going concern in the foreseeable future. Details of which are set out in the Company's announcement dated 4 December 2014.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to the Group to meet its liabilities as they fall due.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements are disclosed in note 5 to the financial statements.

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(b) Transactions and balances in each entity's financial statements (Continued)

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

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

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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the shorter of the term of the lease or 25 years
Plant and Machinery	4%-33%
Office equipment	20%
Motor vehicles	20%

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other payables

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

Equity instruments

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

Revenue recognition

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

(a) Revenues from the trading and sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers; and

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

(c) Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Pension obligations

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

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

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

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

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

Government grants

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

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

Impairment of assets

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

Recoverable amount is the higher of fair value less costs 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 risks specific to the asset.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies (Continued)

(b) Impairment loss for bad and doubtful debts

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

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the management review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the management consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 38% (2013: 16%) and 78% (2013: 54%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's had a net current liabilities at the end of the reporting period. The management have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The management believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Debt Restructuring as further explained in note 2 to the consolidated financial statements.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period and the earliest date the Group can be required to pay).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Carrying amounts		Total contractual undiscounted cash flow within one year or on demand	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and other payables	**193,235**	239,219	**193,235**	239,219
Dividend payable to non-controlling shareholders	**1,677**	42,076	**1,677**	42,076
Bank overdrafts	**12,227**	9,083	**12,227**	9,083
Trust receipt loans	**310,795**	310,795	**310,795**	310,795
Short-term bank loans	**89,220**	119,950	**90,803**	119,950
Other loans	**82,464**	77,464	**82,464**	77,464
Obligation under finance leases	**–**	16	**–**	16
	689,618	798,603	**691,201**	798,603

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2013:100) basis point increase or decrease is used 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 100 (2013:100) basis point higher/lower and all other variables were held constant, the Group's profit (2013: loss) after tax would decrease/increase by approximately HK$565,000 (2013: increase/decrease by approximately HK$3,731,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

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

(f) Financial instruments by category

The carrying amounts of each of the category of the Group's financial instruments at the end of the reporting period are as follows:

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss, held-for-trading	**440**	443
Available-for-sale investments	**5,679**	18,440
Loans and receivables (including cash and cash equivalents)	**301,192**	315,819
Financial liabilities		
Financial liabilities at amortised cost	**689,618**	798,622

7. FAIR VALUE MEASUREMENTS

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 at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy:

	2014 Fair value measurements using: Level 1 *HK$'000*	2013 Fair value measurements using: Level 1 *HK$'000*
Recurring fair value measurements:		
Financial assets at fair value through profit or loss		
Listed securities in Hong Kong	**440**	443
Available-for-sale financial assets		
Unlisted investment in an investment savings plan	**–**	12,761
Total recurring fair value measurements	**440**	13,204

8. REVENUE

The Group's revenue arising from printing and manufacturing of packaging products for the year. An analysis of the Group's revenue for the year is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Printing and manufacturing of packaging products	**758,687**	737,281
Distribution of other electronic and related products	**–**	198,460
Distribution of television business-related products	**–**	46,105
	758,687	981,846
Representing:		
Continuing operation	**758,687**	737,281
Discontinued operations *(note 13)*	**–**	244,565
	758,687	981,846

9. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Net exchange gains	**–**	349
Interest income	**479**	423
Government grants *(note)*	**6,631**	131
Dividend income	**945**	1,253
Interest income on short-term loan receivable	**–**	1,462
Proceeds from disposal of scrap materials	**1,849**	7,870
Others	**1,119**	4,202
	11,023	15,690
Representing:		
Continuing operation	**11,023**	13,506
Discontinued operations *(note 13)*	**–**	2,184
	11,023	15,690

Note: Government grants are awarded to the Group by the local government as subsidiary of new factory relocation expenses.

10. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the year ended 31 December 2014, the Group's revenue are derived from the segment of printing and manufacturing of packaging products. The Group's revenue for the year ended 31 December 2013 were derived from the segment of printing and manufacturing of packaging products, and distribution of television business-related products, other electronic and related products.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include investment and other income, finance costs, gain on deconsolidation of discontinued liquidating subsidiaries, loss on disposal of an associate, income tax expenses and other unallocated corporate income and expenses. Segment assets do not include available-for-sale investments, held-for-trading investments, current and deferred tax assets and other unallocated corporate assets. Segment liabilities do not include borrowings, obligation under finance lease, current and deferred tax liabilities, and unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

10. SEGMENT INFORMATION (CONTINUED)

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	Continuing operation	Discontinued operations		
	Printing and manufacturing of packaging products	**Distribution of television business-related products**	**Distribution of other electronic and related products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014:				
Revenue from external customers	**758,687**	**–**	**–**	**758,687**
Segment profit	**106,040**	**42,190**	**–**	**148,230**
Depreciation	**59,358**	**–**	**–**	**59,358**
Amortisation	**672**	**–**	**–**	**672**
Other material non-cash items:				
Impairment of trade receivables	**740**	**–**	**–**	**740**
Additions to segment non-current assets	**24,690**	**–**	**–**	**24,690**
At 31 December 2014:				
Segment assets	**1,090,934**	**–**	**–**	**1,090,934**
Segment liabilities	**146,602**	**–**	**–**	**146,602**
Year ended 31 December 2013:				
Revenue from external customers	737,281	46,105	198,460	981,846
Segment profit/(loss)	67,168	(602,034)	(12,608)	(547,474)
Depreciation	52,977	–	–	52,977
Amortisation	1,011	–	–	1,011
Other material non-cash items:				
Impairment of deposit paid for acquisition of properties under development	27,313	–	–	27,313
Impairment of trade receivables	5,399	592,449	–	597,848
Impairment of inventories	1,472	–	–	1,472
Additions to segment non-current assets	48,034	–	–	48,034
At 31 December 2013:				
Segment assets	1,093,427	7	–	1,093,434
Segment liabilities	186,399	43,799	38,939	269,137

10. SEGMENT INFORMATION (CONTINUED)

Reconciliations of revenue, profit or loss from continuing operation:

	2014	2013
	HK$'000	*HK$'000*
Revenue:		
Total turnover of continuing operation	**758,687**	737,281
Profit or loss:		
Total profit of continuing operation	**106,040**	67,168
Loss on disposal of an associate	**–**	(44,413)
Corporate and unallocated loss	**(21,380)**	(14,578)
Consolidated total profit from continuing operation	**84,660**	8,177

	2014	2013
	HK$'000	*HK$'000*
Reconciliations of reportable segments' assets and liabilities:		
Assets:		
Total assets of reportable segments	**1,090,934**	1,093,434
Corporate and unallocated assets:		
Available-for-sale investments	**5,679**	18,440
Held-for-trading investments	**440**	443
Others	**2,521**	4,504
Consolidated total assets	**1,099,574**	1,116,821
Liabilities:		
Total liabilities of reportable segments	**149,602**	269,137
Corporate and unallocated liabilities:		
Borrowings	**494,706**	517,292
Tax liabilities	**5,136**	4,836
Deferred tax liabilities	**36,619**	42,368
Obligations under finance leases	**–**	16
Others	**48,310**	12,158
Consolidated total liabilities	**731,373**	845,807

10. SEGMENT INFORMATION (CONTINUED)

Geographical information:

All the Group's revenue for the year was derived from the People's Republic of China (the "PRC").

Information about revenue from the Group's two (2012: two) customers from the Group's segment of printing and manufacturing of packaging products individually contributing over 10% of total revenue of the Group as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**214,126**	235,364
Customer B	**74,329**	103,247

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, the non-current assets of the Group were located as follows:

	2014	2013
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**1,422**	1,529
The PRC	**624,223**	643,312
	625,645	644,841

11. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on borrowings that are wholly repayable within five years:		
– Interest on bank loans	**9,464**	18,792
– Interest on other loans	**–**	11,935
– Finance leases charges	**1**	27
	9,465	30,754
Representing:		
Continuing operation	**6,120**	20,524
Discontinued operations *(note 13)*	**3,345**	10,230
	9,465	30,754

12. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax for the year	**–**	12
– PRC Enterprise Income Tax for the year	**21,296**	20,462
	21,296	20,474
Deferred tax *(note 26)*	**(5,640)**	(475)
	15,656	19,999
Representing:		
Continuing operation	**15,656**	19,987
Discontinued operations *(note 13)*	**–**	12
	15,656	19,999

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived in Hong Kong for the year. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2013.

According to the Enterprise Income Tax Law, the profits of the PRC subsidiaries of the Company derived since 1 January 2008 is 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In accordance with Guo Shui Zhi Shui Han 1994 No.151 Yunnan Qiaotong Package Printing Company Limited ("Yunnan Qiaotong"), a PRC subsidiary of the Company is recognized as a high-tech enterprise and is qualified for the conditions of incentives in which the enterprise income tax is regularly reduced by 10%, Yunnan Qiaotong is subject to income tax at statutory tax rate of 25% with reduction by 10%.

12. INCOME TAX (CONTINUED)

The reconciliation between the income tax and the profit/(loss) before tax are as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit/(loss) before tax from continuing operation	**78,540**	(12,347)
Notional tax on profit/(loss) before tax calculated at the PRC statutory rate	**19,635**	(3,087)
Tax effect of non-taxable income	**(3,408)**	(4,326)
Tax effect of non-deductible expenses	**4,234**	26,989
Tax effect of utilisation of tax losses not previously recognised	**(2,794)**	(1,564)
Tax effect of tax exemptions	**–**	803
Effect of different tax rates in other tax jurisdictions	**(2,011)**	1,157
Deferred tax charge on dividend withholding tax	**–**	15
Income tax for the year (relating to continuing operation)	**15,656**	19,987

13. DISCONTINUED OPERATIONS

Since May 2013, the Group had ceased its Distribution Business. As part of the Group's restructuring as further detailed in note 2 to the consolidated financial statements, the Group has decided to discontinue its Distribution business in order to reserve more resources to focus on the Group's core profitable Packaging Printing Business.

(a) The profit/(loss) for the year from discontinued operations is analysed as follows:

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Loss of discontinued operations	*13(b)*	**(3,543)**	(614,642)
Gain on deconsolidation of discontinued liquidating subsidiaries	*13(c)*	**45,733**	–
		42,190	(614,642)

13. DISCONTINUED OPERATIONS (CONTINUED)

(b) The results of the discontinued operations for the year, which have been included in consolidated profit or loss, are as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**–**	244,565
Cost of goods sold	**–**	(239,471)
Gross profit	**–**	5,094
Other income	**–**	2,184
Distribution and selling costs	**–**	(3,046)
Administrative expenses	**(198)**	(16,183)
Loss from operation	**(198)**	(11,951)
Impairment loss on trade receivables	**–**	(592,449)
Loss before tax	**(198)**	(604,400)
Finance costs	**(3,345)**	(10,230)
Loss before tax	**(3,543)**	(614,630)
Income tax	**–**	(12)
Loss for the year from the discontinued operations	**(3,543)**	(614,642)

13. DISCONTINUED OPERATIONS (CONTINUED)

(c) On 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up Kith Electronics Limited and Kith Resources Limited, two wholly-owned subsidiaries of the Company by way of creditors' voluntary liquidation, details are set out in the Company's announcement dated 21 August 2014. Another two wholly-owned subsidiaries of the Company, Kith Consumer Product Inc. and 僑威華電科技(深圳)有限公司 were deconsolidated on the same day. The Directors considered that the Group had lost control over those subsidiaries. The results, assets and liabilities, and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group with effect from 21 August 2014.

	HK$'000
Net liabilities of subsidiaries deconsolidated on 20 August 2014 were as follows:	
Bank balances and cash	**(274)**
Trade payables	**36,894**
Other payables	**7,358**
Accrued financial expenses	**17**
Tax payable	**1,697**
Foreign currency translation reserve	**41**
Gain on deconsolidation of discontinued liquidating subsidiaries	**45,733**
Net cash outflow on deconsolidation of discontinued liquidating subsidiaries is set out below:	
Cash and bank equivalent balances deconsolidated:	
Bank balances and cash	**274**

The net cash outflows incurred by the operation in distribution business are as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Operating activities	**(198)**	(11,969)
Investing activities	**(274)**	–
Financing activities	**(3,345)**	(3,544)
Net cash outflows	**(3,817)**	(15,513)

14. PROFIT/(LOSS) FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Continuing operation:		
Auditor's remuneration	**1,450**	1,450
Cost of inventories sold	**520,397**	502,166
Depreciation	**59,358**	55,106
Amortisation	**672**	1,011
Minimum lease payments under operating leases in respect of		
Office premises	**1,096**	517
Impairment on various assets:		
Deposit paid for acquisition of properties under development	**–**	27,313
Trade receivables	**740**	5,399
Inventories	**–**	1,472
	740	34,184
Impairment loss on available-for-sale investments	**–**	2,635
Loss on disposal of property,plant and equipment	**890**	–
Loss on disposal of available-for-sale investments	**7,364**	–
Staff costs (including directors' remuneration – *note 15*):		
Salaries, bonus and allowances	**98,267**	121,304

	2014	2013
	HK$'000	*HK$'000*
Discontinued operations:		
Auditor's remuneration	**–**	30
Cost of inventories sold	**–**	239,471
Impairment loss on trade receivables	**–**	592,449
Staff costs (including directors' remuneration – *note 15*):		
Salaries, bonus and allowances	**–**	2,317

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Notes	**Fees** *HK$'000*	**Salaries and other benefits** *HK$'000*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive Directors					
Ms. Cheng Hung Mui	*1*	92	–	–	92
Mr. Zhang Xiaofeng	*1*	92	–	–	92
Mr. Zhou Jin		200	154	–	354
Mr. Wang Feng Wu		120	144	–	264
Mr. Tao Fei Hu	*2*	150	278	–	428
Mr. Wei Ren	*1*	92	–	–	92
Mr. Liu Qingchang	*1*	92	–	–	92
Mr. Liu Shihong	*1*	92	–	–	92
Mr. Hui King Chun, Andrew	*3*	–	636	8	644
Mr. Hui Bin Long	*3*	93	–	–	93
Non-executive Directors					
Mr. Gou Min	*1*	92	–	–	92
Ms. Zhang Xiaohua Connie	*1*	92	–	–	92
Independent Non-executive Directors					
Mr. Ho Chun Chung, Patrick	*1*	92	–	–	92
Mr. Lai Canhui	*4*	15	–	–	15
Mr. Ng Chi Yeung	*5*	100	–	–	100
Mr. Tam Yuk Sang	*5*	150	–	–	150
Total for the year ended 31 December 2014		1,564	1,212	8	2,784

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (CONTINUED)

	Notes	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Mr. Zhou Jin		*200*	293	–	493
Mr. Wang Feng Wu		*120*	–	–	120
Mr. Tao Fei Hu	*2*	63	112	–	175
Mr. Hui King Chun, Andrew	*3*	–	1,046	15	1,061
Mr. Yau Chau Min, Paul	*6*	–	967	9	976
Mr. Hui Bin Long	*3*	200	–	–	200
Non-executive Director					
Mr. Liu Kam Lung	*7*	56	–	–	56
Independent Non-executive Directors					
Mr. Ng Chi Yeung	*5*	200	–	–	200
Mr. Tam Yuk Sang	*5*	300	–	–	300
Mr. Ho Lok Cheong	*8*	142	–	–	142
Total for the year ended 31 December 2013		1,281	2,418	24	3,723

Notes:

1 Appointed as a director on 27 June 2014
2 Appointed as a director on 6 August 2013
3 Removed as a director on 27 June 2014
4 Appointed as a director on 27 June 2014 & resigned as a director on 31 July 2014
5 Resigned as a director on 1 July 2014
6 Resigned as a director on 31 July 2013
7 Resigned as a director on 17 June 2013
8 Resigned as a director on 16 September 2013

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (CONTINUED)

The five highest paid employees during the year included one (2013: two) directors, details of whose remuneration are set out in information above. Details of the remuneration of the remaining four (2013: three) non-directors, highest paid employees for the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**1,612**	2,099
Retirement benefits scheme contributions	**40**	45
Compensation for loss of office	**1,511**	–
	3,163	2,144

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Emolument band:		
HK$nil – HK$1,000,000	**4**	3

During the years ended 31st December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December, 2013 and 2014, no directors waived any emoluments.

16. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the year ended 31 December 2014 (2013: nil).

17. EARNINGS/((LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year of approximately HK$65,171,000 (2013: loss of approximately HK$676,091,000) attributable to owners of the Company and the weighted average number of 261,453,600 (2013: 261,453,600) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(b) From continuing operation

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the profit for the year of approximately HK$22,981,000 (2013: loss of approximately HK$61,449,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(c) From discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share from discontinued operations attributable to owners of the Company is based on the profit for the year of approximately HK$42,190,000 (2013: loss of approximately HK$614,642,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Valuation						
At 1 January 2013	182,881	485,967	15,784	13,415	–	698,047
Currency realignment	4,506	10,722	373	291	–	15,892
Additions	–	71,477	–	1,214	–	72,691
Disposals	–	(18,500)	–	(640)	–	(19,140)
Adjustment arising on revaluation	(51,022)	(99,934)	(12,147)	(3,321)	–	(166,424)
At 31 December 2013 and 1 January 2014	136,365	449,732	4,010	10,959	–	601,066
Currency realignment	(817)	(2,041)	(45)	(24)	–	(2,927)
Additions	985	7,154	1,079	1,516	13,956	24,690
Disposals	–	(1,949)	(90)	(54)	–	(2,093)
At 31 December 2014	136,533	452,896	4,954	12,397	13,956	620,736
Accumulated depreciation and impairment						
At 1 January 2013	17,081	81,227	4,400	5,109	–	107,817
Currency realignment	393	1,525	101	157	–	2,176
Charge for the year	9,256	41,056	2,325	2,469	–	55,106
Disposals	–	(17,805)	–	(612)	–	(18,417)
Eliminated on revaluation	(26,730)	(106,003)	(6,826)	(7,123)	–	(146,682)
At 31 December 2013 and 1 January 2014	–	–	–	–	–	–
Currency realignment	3	11	1	1	–	16
Charge for the year	11,585	44,553	2,057	1,163	–	59,358
Disposals	–	(87)	–	(9)	–	(96)
At 31 December 2014	11,588	44,477	2,058	1,155	–	59,278
Carrying amounts						
At 31 December 2014	124,945	408,419	2,896	11,242	13,956	561,458
At 31 December 2013	136,365	449,732	4,010	10,959	–	601,066

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Had all the categories of the Group's property, plant and equipment, other than construction in progress, been carried at cost less accumulated depreciation, the carrying values of property, plant and equipment would have been stated as follows:

	2014			2013		
	Cost *HK$'000*	**Accumulated depreciation** *HK$'000*	**Carrying values** *HK$'000*	Cost *HK$'000*	Accumulated depreciation *HK$'000*	Carrying values *HK$'000*
Buildings	**143,570**	**42,812**	**100,758**	142,585	39,423	103,162
Plant and machinery	**599,818**	**242,674**	**357,145**	594,614	208,321	386,293
Motor vehicles	**20,886**	**19,819**	**1,067**	19,897	19,549	348
Office equipment	**36,224**	**34,331**	**1,893**	34,762	33,809	953
	800,499	**339,636**	**460,863**	791,858	301,102	490,756

At 31 December 2014, the carrying amount of plant and machinery and equipment held by the Group under finance leases amounted to HK$nil (2013: HK$1,750,000).

At 31 December 2014, the Group has pledged property, plant and equipment in the PRC with a carrying amount of approximately HK$nil (2013: HK$60,250,000) to secure for general banking facilities granted to the Group.

19. PREPAID LAND LEASE PAYMENTS

	2014 *HK$'000*	2013 *HK$'000*
The Group's prepaid land lease payments comprise:		
Leasehold land in the PRC under:		
Medium-term lease	**41,647**	41,952
Short-term lease	**697**	897
	42,344	42,849
Analysed for reporting purposes as:		
Non-current assets	**41,731**	42,236
Current assets	**613**	613
	42,344	42,849

The Group has pledged prepaid land lease payments having a carrying amount of approximately HK$nil (2013: HK$10,000,000) to secure for general banking facilities granted to the Group.

20. AVAILABLE-FOR-SALE INVESTMENT

	2014	2013
	HK$'000	*HK$'000*
Unlisted investments		
– Investment savings plan *(note a)*	**–**	12,761
– Investments outside Hong Kong *(note b)*	**5,679**	5,679
	5,679	18,440

Notes

(a) The unlisted investment savings plan represents an investment in a savings plan whose returns are linked to a portfolio of marketable international funds. The savings plan was issued by a group of insurance companies listed in the Stock Exchange and has a term of 29 years with an initial contribution period of 34 months. The Group has made full contribution for the initial contribution period and intends to hold the plan until maturity. They are measured at their estimated fair value based on the market value of the underlying marketable international funds at the end of the reporting period. The unlisted investment savings plan was disposed during the year.

(b) The unlisted investments outside Hong Kong represent an investment in a local bank and an education unit in the PRC. The investments are measured at cost less accumulated impairment at the end of the reporting period as the directors of the Company are of the opinion that their fair values cannot be measured reliably. In the opinion of the directors, impairment loss of approximately HK$1,925,000 on the investment in an education unit was made for the year ended 31 December 2013.

21. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	**114,026**	104,875
Work in progress	**15,628**	2,734
Finished goods	**18,345**	28,889
	147,999	136,498

The carrying amount of inventories pledged as security for banking facilities granted to the Group amounted to HK$nil (2013: HK$18,234,000).

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**254,973**	834,523
Less: impairment losses	**(10,983)**	(623,497)
	243,990	211,026
Bills receivables	**5,832**	32,612
Prepayment, deposits and other receivables	**15,673**	14,779
	265,495	258,417

Trade receivables

The Group allows an average credit period of 30 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**234,950**	197,323
61 to 90 days	**8,307**	12,157
Over 90 days	**733**	1,546
	243,990	211,026

Bills receivables

The following is an aged analysis of bills receivables:

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**5,832**	31,344
61 to 90 days	**–**	1,268
	5,832	32,612

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Impairment of trade receivables

The movements in impairment losses of trade receivables are as follows:

	2014	2013
	HK$'000	*HK$'000*
At beginning of the reporting period	**623,497**	25,649
Deconsolidation of discontinued liquidating subsidiaries	**(613,254)**	–
Impairment losses recognised	**740**	597,848
At the end of the period	**10,983**	623,497

Included in the above provision for impairment of trade receivables for the year is a provision for individually impaired trade receivables of approximately HK$10,983,000 (2013: HK$623,497,000) which are due to long outstanding/or default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**231,226**	207,617
Less than 60 days past due	**12,031**	1,863
Over 90 days past due	**733**	1,546
	243,990	211,026

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. BANK AND CASH BALANCES

At the end of reporting period, the bank and cash balances of Group denominated in Renminbi ("RMB") amounted to approximately HK$52,264,000 (2013: HK$55,145,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Bank balances carry average interest rate of 0.01% (2013: 0.01%) per annum.

24. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**135,074**	165,175
Accruals and other payables	**58,161**	74,044
	193,235	239,219

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

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**82,368**	87,130
61 to 90 days	**3,241**	2,747
Over 90 days	**49,465**	75,298
	135,074	165,175

Subsequent to the end of the reporting period, upon the Schemes being effective on 18 March 2015, there are certain update on the restructuring of the claims against, and liabilities of, the Company and Ever Honest Industries Limited comprising the borrowings and trade and other payables. Further details of which are stated in note 2 to the consolidated financial statements.

25. BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Bank overdrafts	**12,227**	9,083
Bank loans	**89,220**	119,950
Trust receipt loans	**310,795**	310,795
Other loans	**77,464**	77,464
Loan from the Controlling Shareholder	**5,000**	–
	494,706	517,292
Analysed as:		
Secured	**30,000**	87,097
Unsecured	**464,706**	430,195
	494,706	517,292

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. In circumstances that the Group commits any default in settlement or commits any breaches of the covenants, notwithstanding any of the expiry dates has not been due, the respective bank has full discretion to exercise its overriding right of repayment on demand to call for cash cover on demand for prospective and contingent liabilities.

Subsequent to the end of the reporting period, upon the Schemes being effective on 18 March 2015, there are certain update on the restructuring of the claims against, and liabilities of, the Company and Ever Honest Industries Limited comprising the borrowings and trade and other payables. Further details of which are stated in note 2 to the consolidated financial statements.

The effective interest rates per annum at the end of the reporting period were as follows:

	2014	2013
Bank overdrafts	**4.2%~14.8%**	4.2% ~ 14.8%
Short-term bank loans:		
variable-rate	**4.84%~8.3%**	5.1% ~ 8.3%
fixed-rate	**–**	3.5% ~ 6.2%
Long-term bank loans:		
variable-rate	**–**	3.2% ~ 7.4%
Factoring loans	**–**	2.1%
Trust receipt loans	**–**	2.1% ~ 10.8%
Other loans	**–**	12.0% ~ 53.3%

25. BORROWINGS (CONTINUED)

Bank loans of approximately HK$13,000,000 (2013: HK$13,000,000) were guaranteed by the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

Other loan of approximately HK$nil (2013: HK$29,000,000) was secured by the share charge of Oncapital Limited, a company controlled by an ex-director of the Company, Mr. Hui King Chun ("Mr. Hui") and by personal guarantee executed by Mr. Hui.

Other loan of approximately HK$9,000,000 (2013: HK$9,000,000) was secured by a property held by a company controlled by Mr. Hui.

According to working capital loan agreement, the working capital loan from the Controlling Shareholder of HK$5,000,000 was unsecured, non-interest bearing and repayable on or after earlier of the restructuring completion date and the termination date.

26. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Revaluation of property, plant and equipment	Depreciation allowances in excess of related of PRC depreciation	Undistributed earnings of subsidiaries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	16,948	27,148	2,569	708	47,373
– Charge to consolidated statement of profit or loss	–	(490)	15	–	(475)
– Credit to other comprehensive income	(4,146)	–	–	–	(4,146)
– Charge to equity for the year	(384)	–	–	–	(384)
At 31 December 2013 and 1 January 2014	12,418	26,658	2,584	708	42,368
– Charge to consolidated statement of profit or loss	–	(4,972)	–	(668)	(5,640)
– Charge to equity for the year	(109)	–	–	–	(109)
At 31 December 2014	12,309	21,686	2,584	40	36,619

26. DEFERRED TAX (CONTINUED)

At the end of the reporting period, subject to the agreements with the tax authority, the Group has unused tax losses of approximately HK$70,894,000 (2013: HK$79,347,000) for subsidiaries incorporated in Hong Kong available for offset against future profits of approximately approximately HK$70,894,000 (2013: HK$79,347,000) and such tax losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of those subsidiaries.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January, 2008 onwards. Deferred tax has been provided for in the consolidated financial statements in respect of the undistributed earnings of the Group's PRC subsidiaries to the extent that such earnings are estimated to be distributed in the foreseeable future. At the end of the reporting period, the aggregate amount of the undistributed earnings of the Group's PRC subsidiaries which the corresponding deferred taxation has not been provided for in the consolidated financial statements amounted to approximately HK$115,740,000 (2013: HK$4,506,000), 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.

27. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
At 31 December 2013 and 2014	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 31 December 2013 and 2014	261,453,600	26,145

27. SHARE CAPITAL (CONTINUED)

Capital 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 stakeholders 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 debt, which includes the borrowings (note 25) and obligation under finance lease, net of bank balances and cash, equity attributable to owners of the Company and non-controlling interest, comprising issued share capital, reserves and retained profits.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to adjust the Group's capital structure.

The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Total liabilities		
Borrowings and obligation under finance lease	**494,706**	517,308
Less: cash and cash equivalents	**(53,702)**	(56,758)
Net debt	**441,004**	460,550
Total equity	**368,201**	271,014
Net debt-to-capital ratio	**119.8%** #	169.9%

The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Debt Restructuring of the Group and the open offer, as further explained in note 2 to the consolidated financial statements.

28. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Capital redemption reserve	Contributed surplus	Retained profits/ Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	74,215	624	29,509	4,795	109,143
Loss for the year	–	–	–	(434,729)	(434,729)
At 31 December 2013	74,215	624	29,509	(429,934)	(325,586)
At 1 January 2014	74,215	624	29,509	(429,934)	(325,586)
Profit for the year	–	–	–	178,334	178,334
At 31 December 2014	74,215	624	29,509	(251,600)	(147,252)

c) Nature and purpose of reserves of the Group

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

28. RESERVES (CONTINUED)

c) Nature and purpose of reserves of the Group (continued)

(iii) Capital reserve

Capital reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

(iv) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Kith Limited at the date on which it was acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4 to the financial statements.

(vii) Asset revaluation reserve

Assets revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for property, plant and equipment in note 4 to the financial statements.

29. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**44,089**	44,089
Current assets		
Amounts due from subsidiaries	**358,018**	330,756
Other receivables, deposits and prepayments	**1,909**	382
Bank balances and cash	**266**	454
	360,193	331,592
Current liabilities		
Accruals and other payables	**71,553**	17,037
Amounts due to subsidiaries	**15,674**	182,651
Borrowings	**438,162**	68,078
Financial guarantees liabilities	**–**	407,356
	525,389	675,122
Net current liabilities	**(165,196)**	(343,530)
NET LIABILITIES	**(121,107)**	(299,441)
Capital and reserves		
Share capital	**26,145**	26,145
Reserves	**(147,252)**	(325,586)
TOTAL EQUITY	**(121,107)**	(299,441)

30. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2013: Nil).

31. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises and machinery are analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,697**	840
In the second to fifth year inclusive	**1,263**	140
	2,960	980

32. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2014	2013
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**3,962**	2,125

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	2014	2013
	HK$'000	*HK$'000*
Rental expenses paid to a related company	**–**	517

An ex-director, Mr. Hui, has significant influence over the related company.

(b) At the end of the reporting period, the Company had no outstanding loan balance (2013: HK$29,000,000), borrowed from an independent third party, which was secured by share charge of the issued shares of Oncapital Limited, a company controlled by Mr. Hui, and personal guarantee executed by Mr. Hui.

(c) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, the senior management and all of the highest paid employees as disclosed in note 15, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Short-term employee benefits	**6,289**	3,798
Post-employment benefits	**57**	33
	6,346	3,831

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the Company's indirect ownership interest	Principal activities
勁富投資有限公司 Gainful Investments Limited	Hong Kong	HK$4	100%	Investment holding
寶駿有限公司 Good Cheers Limited	Hong Kong	HK$4	100%	Investment holding
哈爾濱高美印刷有限公司* Harbin Gaomei Printing Company Limited*#	The PRC	US$2,500,000	80%	Printing and manufacturing of packaging products
雲南僑通包裝印刷有限公司* Yunnan Qiaotong Package Printing Co. Ltd. *#	The PRC	US$38,000,000	60%	Printing and manufacturing of packaging products
安徽僑豐包裝印刷有限公司* Anhui Qiaofeng Package Printing Co. Ltd. *#	The PRC	US$9,380,000	54.8%	Printing and manufacturing of packaging products
昭通新僑彩印有限責任公司** Zhaotong Xinqiao Printing Co. Ltd. **#	The PRC	RMB6,200,000	60%	Printing and manufacturing of packaging products

* These companies are sino-foregin equity joint ventures established in the PRC.

** The company is a limited liability company established in the PRC.

\# The English name is for identification purpose only

The Company directly holds the interest in Kith Limited. All other interests above are indirectly held by the Company.

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the reporting period.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	雲南僑通包裝印刷有限公司^		安徽僑豐包裝印刷有限公司	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal place of business and country of incorporation	**PRC**		**PRC**	
% of ownership interests and voting rights held by NCI	**40%**	40%	**45.2%**	45.2%
At 31 December:				
Non-current assets	**538,768**	458,313	**147,135**	165,515
Current assets	**380,932**	375,120	**68,041**	64,426
Current liabilities	**(166,511)**	(211,648)	**(41,177)**	(41,177)
Net assets	**753,189**	624,786	**173,999**	188,764
Accumulated NCI	**301,276**	248,714	**78,648**	85,321
Year ended 31 December:				
Revenue	**597,012**	600,443	**148,384**	129,752
Profit	**95,385**	56,979	**4,107**	12,540
Total comprehensive income	**90,245**	59,233	**3,106**	13,301
Profit allocated to NCI	**38,154**	22,792	**1,856**	5,668
Dividends distributed to NCI	**–**	80,511	**4,315**	727
Net cash generated from operating activities	**96,359**	101,554	**35,400**	5,546
Net cash used in investing activities	**(62,563)**	(14,572)	**(1,402)**	(7,335)
Net cash used in financing activities	**(60,024)**	(101,674)	**(17,590)**	3,400
Net (decrease)/increase in cash and cash equivalents	**(26,228)**	(14,692)	**16,408**	1,611

^ included its subsidiaries

35. LITIGATIONS

Save as disclosed below in relation to the Debt Restructuring the Directors are not aware of any litigation or claims of material importance pending or threatened by or against the Company or the members of the Group at the end of the reporting period:

(a) On 24 December 2013, the Company received from Multi Rainbow a writ of summons issued in the Hong Kong Court against the Company for repayment of the money in the sum of HK$29 million being the principal amount due under certain loan agreements, accrued interest, costs and further or other relief. The debt formed part of the borrowings and aggregate overdue amounts. The Company does not intend to contest this debt.

(b) The Company received from Ultimate Dream a writ of summons dated 22 January 2014 issued in the Hong Kong Court against the Company for an order for vacant possession of the Premises, mesne profits, damages, interest, costs and further or other relief. The Premises is the Company's head office in Hong Kong.

In view of the said writ of summons, the Provisional Liquidators had been negotiating with Ultimate Dream on the lease of Premises. After months of negotiation, on 28 May 2014, consent had been reached between the Provisional Liquidators (on behalf the Company) and Ultimate Dream. Accordingly, consent summons for discontinuing this action (among others) had been executed on the same day. Subsequently, on 4 June 2014, the Hong Kong Court ordered that, among others, the actions taken by Ultimate Dream be discontinued.

(c) On 19 March 2014, Ever Honest, received from China Rise a writ of summons issued in the Hong Kong Court against Ever Honest and Mr. Hui, for repayment of the money in the sum of approximately HK$33.3 million and HK$42 million respectively with interest, costs and further or other relief. On 30 April 2014, Ever Honest had filed its defence to the Hong Kong Court.

Subsequent to the end of the reporting period, upon the completion of the Debt Restructuring following the creditors' schemes of arrangement effective on 16 March 2015, the above litigations have been released accordingly.

At the end of the reporting period, adequate provisions have been made against liabilities of the Group's potential obligations under above claims. Having considered the nature of the litigations, and the recognition of liabilities relating thereto, the Directors consider that the outstanding litigations would not have material impacts to the Group and its related business.

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Debt Restructuring of the Group, and further details of which are stated in note 2 to the consolidated financial statements.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2015.

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