



WORLDSEC LIMITED

Annual Report for the year ended 31 December 2014

CORPORATE INFORMATION

Board of Directors

Non-Executive Chairman

Alastair GUNN-FORBES*

Executive Directors

Henry Ying Chew CHEONG (Deputy Chairman)

Ernest Chiu Shun SHE

Non-Executive Directors

Mark Chung FONG*

Martyn Stuart WELLS*

** independent*

Company Secretary

Jordans Company Secretaries Limited

21 St Thomas Street, Bristol B51 6JS, United Kingdom

Registered Office Address

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

Registration Number

EC21466 Bermuda

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road, Central, Hong Kong

External Auditor

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

Principal Share Registrar and Transfer Office

Appleby Management (Bermuda) Ltd.

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

International Branch Registrar

Capita Asset Services

12 Castle Street, St Helier, JE2 3RT, Jersey, Channel Islands

United Kingdom Transfer Agent

Capita Registrars Limited

The Registry, 34 Beckenham Rd, Beckenham, Kent, BR3 4TU, United Kingdom

Investor Relations

For further information about Worldsec Limited, please contact:

Henry Ying Chew CHEONG

Executive Director

Worldsec Group

Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong

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WORLDSEC LIMITED

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Chairman's Statement

I am pleased to report that Worldsec Limited (the "Company") and its subsidiaries (together the "Group") had made notable progress during the year under review.

To better position the Group to achieve the investment objective of the Company with greater flexibility, the Board proposed in August 2014 to broaden the scope of the Company's Investment Policy to include investments in start-up/early stage growth companies. The proposal was approved by shareholders in the Annual General Meeting held on 29 September 2014.

Following the approval of the broadening of the Company's Investment Policy, the Group had successfully made two investments in start-up companies during the last quarter of 2014:

- an investment of US\$800,000 for an 8% interest in the non-voting, participating share capital issued by ICBC Specialised Ship Leasing Investment Fund; and.
- an investment totalling HK\$4 million for a 50% interest in Oasis Education Group Limited.

Subsequent to the end of 2014, the Group has further expanded its investment portfolio by investing CHF320,000 in the equity capital of Ayondo Holding AG, a company incorporated in Switzerland.

Details of these investments are set out in the Review section of the Directors' Report.

To cope with the increase in business activities, Worldsec Investment (Hong Kong) Limited, the Group's principal operating subsidiary in Hong Kong, has moved into a new office and has started to recruit additional staff.

Prospects

Apart from the U.S. Federal Reserve which has adopted a policy stance towards gradual tightening, the central banks of other major advanced economies continue to pursue highly accommodative monetary policies. Given the abundance of liquidity, the private equity space is awash with investment capital and dry powder competing for quality deals. This has been driving up valuations and narrowing the spreads of return. Nonetheless, with the broadening of the Investment Policy of the Company, I am confident that the Group has better positioned itself to capture market opportunities consistent with the Company's investment objective with a view to generating sustainable growth in shareholders' value in the longer term.

Note of Appreciation

I wish to take this opportunity to thank my fellow directors for the efforts and contribution they had made to enable the Group to achieve satisfying progress during the year under review. I would also like to extend a note of appreciation to shareholders for their patience with and support of the Company.

Alastair Gunn-Forbes
Non-Executive Chairman
23 April 2015

DIRECTORS' REPORT

The directors submit the annual report of the Company and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are primarily engaged in investment in unlisted companies in the Greater China and South East Asian regions.

RESULTS

The audited consolidated loss of the Company and its subsidiaries for the year ended 31 December 2014 was US\$475,000, compared with a loss of US\$273,000 in 2013. Loss per share was US0.84 cent (2013: US1.00 cent).

The increase in loss was largely due to increased fees paid to professional parties which assisted the Group in the evaluation of potential investments as well as higher administration costs as the Group started, albeit gradually, to return to normal business activities since its reactivation in the latter part of 2013. There was also a share of joint venture loss arising from the Group's investment in a start-up company, Oasis Education (as defined and discussed below).

The decline in loss per share reflects the full year impact during 2014 of the increase in the number of shares as a result of the share issue associated with the fund raising exercise in August 2013.

As at 31 December 2014, the net assets of the Group amounted to approximately US\$3.8 million (2013: US\$4.2 million), equivalent to approximately US6.6 cents per share (2013: US7.5 cents).

Further details of the Group's results are set out in the consolidated statement of profit and loss and other comprehensive income on page 14 and notes to the consolidated financial statements on pages 19 to 52.

The Board does not propose to declare any dividend for the year ended 31 December 2014 (2013: nil).

REVIEW

At the Annual General Meeting held on 29 September 2014, in addition to normal ordinary business, shareholders also approved two resolutions in respect of special business, namely, (a) to widen the scope of the Company's Investment Policy to allow investments in start-up/early stage growth companies; and (b) to change the rules of the Worldsec Employee Share Option Scheme 1997 (the "Scheme") to align with the changes to tax and legislation since the Scheme was introduced and to include the Group's non-executive directors as eligible participants of the Scheme. The reason for widening the Company's Investment Policy was to enable the Group to make investments with greater flexibility and hence to achieve the Company's investment objective more efficiently. The inclusion of the Group's non-executive directors as eligible participants of the Scheme would enable the Group to reward them for their commitments to the Company beyond the nominal annual fees that the Group could afford to pay during its early stage of development. Further discussion relating to the special business can be found in the Notice of Annual General Meeting sent to shareholders on 1 September 2014.

DIRECTORS' REPORT

During the last quarter of 2014 following the widening of the Company's Investment Policy, the Group had successfully made two investments in start-up companies:

- an investment of US\$800,000 for an 8% interest in the non-voting, participating share capital issued by ICBC Specialised Ship Leasing Investment Fund which is a newly established company incorporated in Cayman Islands with an objective of achieving stable return from primarily investing in marine vessels. Since January 2015, the Group has received dividends from this investment on a monthly basis; and
- an investment totalling HK\$4 million (equivalent to approximately US\$514,000), by way of capital contribution of HK\$2 million and shareholders loan of HK\$2 million, for a 50% interest in Oasis Education Group Limited ("Oasis Education") which is a start-up company incorporated in Hong Kong. Oasis Education and its subsidiary (the "Oasis Education Group") are principally engaged in the provision of education consulting and support services to kindergartens in China. The first such kindergarten serviced by the Oasis Education Group is located in Huizhou City of Guangdong Province (the "Huizhou Kindergarten"). The service agreement between the Oasis Education Group and the Huizhou Kindergarten, which has facilities designed to cater for 300 pupils and which has recently commenced classes, will run until the end of 2033. Oasis Education aims in the longer term to develop and expand the education consulting and supporting services to cover a network of kindergartens in China.

Subsequent to the end of 2014, the Group has made an investment of CHF320,000 (equivalent to approximately USD325,000) in the equity capital of ayondo Holding AG ("Ayondo"), a company incorporated in Switzerland. Listed as one of the top 50 financial technology companies by FinTech in 2013, Ayondo (previously known as Next Generation Finance Investment AG) invests in new technologies and high growth business models that can achieve increased efficiency in the financial service sector. Belonging to the portfolio of Ayondo is the social trading provider, ayondo GmbH, in Frankfurt, Germany, as well as the broker, ayondo markets Limited, in London, U.K. In addition, Ayondo has embarked upon an international expansion strategy with a particular focus on South East Asia.

In terms of operations, Worldsec Investment (Hong Kong) Limited, the Group's principal operating subsidiary in Hong Kong, has moved into a new office and has started to recruit additional staff to cope with the increase in business activities. The Group plans to complete the first stage/initial round of recruitment of staff by the end of the current financial year and by then its reliance on third party professional assistance is expected to be meaningfully reduced.

Owing to the failure to reach agreement with the Company on the proposed audit fee for the year ended 31 December 2014, Menzies LLP resigned in February 2015 as the Company's external auditor and confirmed that there were no other circumstances connected with their ceasing to hold office which they considered should be brought to the notice of the members or creditors of the Company. On the recommendation of the Audit Committee, the Board has appointed BDO Limited as the Company's external auditor until the conclusion of the next general meeting of shareholders.

DIRECTORS' REPORT

PROSPECTS

The Group remains at an early stage of development. Since its reactivation of business activities in the latter part of 2013, the Group has invested in a number of start-up/early stage growth companies. As these companies are unlikely to make any meaningful contribution in the near term, the Group is expected to experience what is commonly described as the J-curve effect, which is typical characteristic of private equity funds during the initial periods of investment, of not producing positive return until its investment portfolio gradually becomes mature.

Meanwhile, the mixed economic outlook across the globe has led to a divergence in global monetary policies. Faced with the perils of disinflation or outright deflation, however, the majority of the central banks of developed countries continue to pursue aggressive easing measures. The abundance of liquidity and the availability of low cost credit under these conditions provide the private equity space with a massive source of funds competing for quality deals. This has been pushing up asset prices and thus reducing overall risk reward balance. Under these circumstances, the investment environment for the private equity industry is expected to remain competitive and challenging.

Notwithstanding the short term challenges, the Board will continue to explore investment opportunities and expand the Group's investment portfolio in accordance with the Company's investment objective with a view to generating sustainable growth in shareholders' value in the longer term.

DIRECTORS

The directors during the year under review and up to the date of this report were:

Non-Executive Chairman

Alastair Gunn-Forbes*

Executive Directors

Henry Ying Chew Cheong

Ernest Chiu Shun She

Non-Executive Directors

Mark Chung Fong*

Martyn Stuart Wells*

* *independent*

Brief biographical notes of the directors serving at the date of this report are set out on pages 53 to 54.

Save as disclosed in this report and in note 22 to the consolidated financial statements, none of the directors had during the year under review or at the end of the year a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

DIRECTORS' REPORT

Messrs Alastair Gunn-Forbes and Mark Chung Fong have served on the Board for more than nine years. (In accordance with Provision B.7.1 of the UK Corporate Governance Code on corporate governance published by the Financial Reporting Council (the "UK Corporate Governance Code"), both Messrs Alastair Gunn-Forbes and Mark Chung Fong retired by rotation and were re-elected to office by separate resolutions passed at the Annual General Meeting held on 29 September 2014.) During the past nine year period, however, neither of them has had any material/major interest in the issued share capital of the Company, has been an employee or involved in the daily management of any of the Group companies, or has had any material relationship with any of the Group companies or any of the major shareholders or managers of any such companies other than being a member of the Board. Accordingly, and in accordance with Provision B.1.1 of the UK Corporate Governance Code, the Board has determined that their independence and objectivity have not been impaired and they will therefore be able to continue to act independently in character and judgement.

At the Annual General Meeting held on 29 September 2014, shareholders approved the inclusion of the Group's non-executive directors, including Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, as eligible participants of the Scheme. As explained in the Review section above, the reason for such inclusion was to enable the Group to reward its non-executive directors for their commitments to the Company beyond the nominal annual fees that the Group could afford to pay during its early stage of development. Accordingly, and in accordance with Provision B.1.1 of the UK Corporate Governance Code, given such circumstances, the Board has determined that the participation of Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells in the Scheme will not affect their ability to act independently in character and judgement.

DIRECTORS' INTERESTS

The interests of the individuals who were directors during the year under review in the issued share capital of the Company, including the interests of persons connected with a director (within the meaning of Sections 252, 253 to 255 of the United Kingdom Companies Act 2006 as if the Company were incorporated in England), the existence of which was known to, or could with reasonable diligence be ascertained by, that director, whether or not held through another party, were as follows:

	At 1 January 2014	At 31 December 2014
	<u>No. of shares</u>	<u>No. of shares</u>
Alastair Gunn-Forbes	30,000	30,000
Henry Ying Chew Cheong (Note)	3,054,873	3,054,873
Mark Chung Fong	Nil	Nil
Ernest Chiu Shun She	366,730	366,730
Martyn Stuart Wells	Nil	Nil

DIRECTORS' REPORT

Note: Mr Henry Ying Chew Cheong (“Mr Cheong”) owns, in addition to the beneficial interest in 3,054,873 ordinary shares of US\$0.001 each in the Company, 2 ordinary shares of US\$1 each in Grand Acumen Holdings Limited (“GAH”), representing 25% of the issued share capital of GAH. GAH beneficially owned 6,450,000 ordinary shares of US\$0.001 each in the Company at 1 January 2014 and 31 December 2014.

In addition, HC Investment Holdings Limited (“HCIH”) is wholly owned by Mr Cheong. HCIH beneficially owned 10,000,000 ordinary shares of US\$0.001 each in the Company at 1 January 2014 and 31 December 2014.

In total, Mr Cheong and his associates were the legal and beneficial owners of 19,504,873 ordinary shares of US\$0.001 each in the Company, representing 34.4% of the Company’s issued share capital, at 1 January 2014 and 31 December 2014. The Company and Mr Cheong entered into a relationship agreement on 2 August 2013 (the “Relationship Agreement”). Pursuant to the Relationship Agreement, Mr Cheong has agreed to exercise his rights as a shareholder at all times, and to procure that his associates exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of Mr Cheong or any control which Mr Cheong or his associates may otherwise be able to exercise over the Company. Moreover, Mr Cheong has undertaken to ensure, so far as he is able to, that all transactions, relationships and agreements between Mr Cheong or his associates and the Company or any of its subsidiaries are on arms’ length terms on a normal commercial basis. Mr Cheong and the Company have also agreed, amongst other things, that he will not participate in the deliberations of the Board in relation to any proposal to enter into any commercial arrangements with Mr Cheong or his associates.

Save as disclosed above, none of the above named directors had an interest, whether beneficial or non-beneficial, in any shares or debentures of any Group companies at the beginning or at the end of the year under review. None of the above named directors, or members of their immediate families, held, exercised or were awarded any right to subscribe for any shares or debentures of any Group companies during the year.

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 31 December 2014 was as follows:

	Fees <u>US\$'000</u>	Emoluments <u>US\$'000</u>	Total <u>US\$'000</u>
Alastair Gunn-Forbes	15	-	15
Henry Ying Chew Cheong	15	-	15
Mark Chung Fong	15	-	15
Ernest Chiu Shun She	15	-	15
Martyn Stuart Wells	15	-	15
	<u>75</u>	<u>-</u>	<u>75</u>

DIRECTORS' REPORT

PROVIDENT FUND AND PENSION CONTRIBUTION FOR DIRECTORS

During the year under review, there was no provident fund and pension contribution for the directors.

LETTERS OF APPOINTMENT/ SERVICE CONTRACTS

Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, each has entered into a letter of appointment with the Company to serve as non-executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on one month notice in writing.

Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, each has entered into a letter of appointment with the Company to serve as executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on not less than six month notice in writing.

All directors are eligible to participate in the Group's bonus arrangements at the discretion of the Remuneration Committee and the Board. No bonus was recommended for the year ended 31 December 2014.

Save as disclosed above, there are no existing or proposed letters of appointment or service contracts between any of the directors and the Company or any of its subsidiaries which cannot be determined without payment of compensation (other than any statutory compensation) within one year.

MAJOR INTERESTS IN SHARES

At 21 April 2015, being the latest practicable date prior to the notice of meeting at which this annual report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014 are to be laid before the Company in general meeting of shareholders, the Company was aware of the following direct or indirect interests (other than directors' interests) representing 5 % or more of the Company's issued share capital:

	<u>No. of shares</u>	<u>Percentage of issued share capital</u>
Capita IRG Trustees (Nominees) Limited (Note)	19,928,429	35.1%
Grand Acumen Holdings Limited	6,450,000	11.4%
HC Investment Holdings Limited	10,000,000	17.6%
Luis Chi Leung Tong	5,000,000	8.8%

Note: Capita IRG Trustees (Nominees) Limited ("Capita") acts as custodian for Capita IRG Trustees Limited (the "Depositary") which has been appointed by the Company to provide the depositary interest facility in Crest. The Depositary passes all rights and entitlements, including voting rights, to the underlying depositary interest holders. As such, Capita does not constitute a controlling shareholder. Furthermore, to the best of the knowledge of the Company, no single one of the underlying depositary interest holders had depositary interests held under Capita totalling 30% or more of the Company's issued capital at 21 April 2015.

DIRECTORS' REPORT

GOING CONCERN

After making enquiries, and taking into account the increase in the equity capital of the Company and the reactivation of the Group's business activities in the latter part of 2013, the directors have formed a judgement, at the time of approving the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014, that there was a reasonable expectation that the Group would have adequate resources to carry out its operations for the foreseeable future. For this reason, as stated in note 3 to the consolidated financial statements, the directors have adopted the going concern basis in preparing the consolidated financial statements.

CORPORATE GOVERNANCE

The Company seeks to comply with the code provisions of the UK Corporate Governance Code (the September 2012 edition of which is publicly available on the webpage of the Financial Reporting Council, <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.pdf>). The UK Corporate Governance Code was updated in September 2014 (<https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>). But as the current reporting period of the Company began on 1 January 2014, the Company continues to report against the September 2012 edition of the UK Corporate Governance Code.

The Board, with a non-executive chairman and over half of its members being non-executive directors, is committed to high standard of corporate governance. All non-executive directors are considered by the Board as independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All directors are able to take independent professional advice in furtherance of their duties, if necessary.

The Board is responsible for establishing strategic directions and setting objectives for the Company and making significant investment decisions and monitoring the performance of the Group. The management is responsible for the day to day running of the Group's operations.

Although the Board believes that a Nomination Committee (as noted in Provision B2.1 of the UK Corporate Governance Code), which makes recommendations to the Board on all new board appointments, will ensure shareholders as to the suitability of a chosen director, the Board considers that due to its size and level of activities it is a "small" Board in the context of the UK Corporate Governance Code and has therefore decided that it would not be necessary to establish such a committee. All responsibilities of such a committee have been reverted to the Board as a whole.

Again, due to its size and level of activities, the Board has not appointed a senior independent director and does not consider an annual self-evaluation to be particularly meaningful. The responsibilities normally rested with a senior independent director have been reverted to the Board as a whole.

Likewise, as the Group is at an early stage of development following its reactivation of business activities in the latter part of 2013 and the scale of its operations remains relatively insubstantial, the Board has decided that it would not be necessary or cost-effective to set up an internal audit function. However, the Company has set up an Audit Committee in accordance with Provision C3.1 of the UK Corporate Governance Code.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Audit Committee held three meetings during the year under review and the table below gives the attendance record.

<u>Director</u>	<u>Audit Committee Meeting</u>
Mark Chung Fong	3/3
Martyn Stuart Wells	3/3

The Audit Committee is chaired by Mr Mark Chung Fong and its other current member is Mr Martyn Stuart Wells. The Audit Committee is appointed by the Board and the committee's membership is comprised of non-executive directors.

The terms of reference of the Audit Committee (copies of which are available at the Company's registered office) generally follow, where applicable, those stated in the code provisions of the UK Corporate Governance Code.

The Audit Committee meets not less than two times a year and its responsibilities include, amongst others, the examination and review of the Group's risk management, internal financial controls and financial and accounting policies and practices, as well as overseeing and reviewing the work of the Company's external auditor, their independence and the fees paid to them.

During the year under review, the activities undertaken by the Audit Committee in discharge of its duties and functions included (i) the review and recommendation to the Board of the appointment of Menzies LLP as the Company's external auditor; (ii) the review and recommendation to the Board for approval of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013; and (iii) the review and recommendation to the Board for approval of the interim report of the Company and the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2014.

Given that Menzies LLP resigned as the Company's external auditor and that BDO Limited were appointed to carry out the 2014 audit work for the Group in February 2015, no assessment of the external audit process was carried out during the year under review.

Subsequent to the year end, the activities that have been undertaken by the Audit Committee in relation to 2014 included (i) the review and recommendation to the Board of the appointment of BDO Limited to replace Menzies LLP as the Company's external auditor for the 2014 audit; (ii) the review and recommendation to the Board of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014; and (iii) the review of the Group's risk management and internal financial controls. In appointing BDO Limited, the Audit Committee has taken into consideration, amongst others, BDO Limited's independence, objectivity and terms of engagement.

The appointment of BDO Limited as the Company's external auditor will be kept under annual review, and if satisfactory, BDO Limited will be recommended by the Audit Committee for reappointment. There are, however, no contractual obligations that would restrict the Audit Committee's choice of external auditor for the Company.

DIRECTORS' REPORT

REMUNERATION COMMITTEE

In accordance with Provision D2.1 of the UK Corporate Governance Code, the Company has set up a Remuneration Committee. The Remuneration Committee held one meeting during the year under review and the table below gives the attendance record.

<u>Director</u>	<u>Remuneration Committee Meeting</u>
Martyn Stuart Wells	1/1
Mark Chung Fong	1/1
Alastair Gunn-Forbes	1/1

The Remuneration Committee is chaired by Mr Martyn Stuart Wells and its other current members are Messrs Alastair Gunn-Forbes and Mark Chung Fong. The Remuneration Committee is appointed by the Board and the committee's membership is comprised of non-executive directors.

The previous chair of the Remuneration Committee was Mr Alastair Gunn-Forbes, the non-executive chairman of the Company. Provision D2.1 of the UK Corporate Governance Code states that the chairman of a company may be a member of, but not chair, the remuneration committee of the company if he was considered independent on appointment as the company's chairman. Accordingly, Mr Alastair Gunn-Forbes resigned as the chair but remains as a member of the Remuneration Committee and Mr Martyn Stuart Wells was appointed by the Board in place of Mr Alastair Gunn-Forbes as the chair of the Remuneration Committee.

The terms of reference of the Remuneration Committee (copies of which are available at the Company's registered office) generally follow, where applicable, those stated in the code provisions of the UK Corporate Governance Code.

The Remuneration Committee meets not less than two times a year and its responsibilities include, amongst others, the evaluation of the performance of the executive directors and senior staff, and the comparison of the Group's remuneration policy with similar organisations in the market to form the basis for the recommendations to the Board to determine the remuneration packages, which may include the grant of share options under the Scheme, for individual staff and director members.

In accordance with the Main Principle of Provision D.2 of the UK Corporate Governance Code, no director should be involved in deciding his own remuneration.

During the year under review, the activities undertaken by the Remuneration Committee in discharge of its duties and functions included the review of, and recommendation to the Board to retain, the Group's previous remuneration arrangements. As the Group had a very small workforce and only started to recruit additional staff in the latter part of 2014, the Remuneration Committee did not consider necessary or meaningful to hold more than one meeting during the year under review.

DIRECTORS' REPORT

BOARD MEETING

The Board held 4 meetings during the year under review and the table below gives the attendance record.

<u>Director</u>	<u>Board Meeting</u>
Alastair Gunn-Forbes	4/4
Henry Ying Chew Cheong	4/4
Ernest Chiu Shun She	4/4
Mark Chung Fong	4/4
Martyn Stuart Wells	4/4

In addition to the above board meetings, pursuant to the Company's bye-laws, three written resolutions were passed by all the directors during the year under review.

WORLDSEC EMPLOYEE SHARE OPTION SCHEME 1997

As mentioned in the Review section above, at the Annual General Meeting held on 29 September 2014, shareholders approved to change the rules of the Scheme to align with the changes to tax and legislation since the Scheme was introduced and to include the Group's non-executive directors as eligible participants of the Scheme.

No share options have been granted under the Scheme since its adoption in a general meeting of shareholders on 26 February 1997.

RELATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Information about the Group's activities is provided in the annual report and the interim report of the Company which are sent to shareholders on a regular basis. All shareholders are encouraged to attend the Annual General Meeting at which directors are introduced and available for questions. Enquiries are dealt with in an informative and timely manner. Directors, including non-executive directors, are also available to meet with major shareholders on request.

EXTERNAL AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014 have been audited by BDO Limited.

A resolution will be submitted to the next Annual General Meeting to reappoint BDO Limited as the Company's external auditor.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
23 April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required under the Bermuda Companies Act 1981 to prepare consolidated financial statements for each financial year. The directors acknowledge responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2014, which give a true and fair view of the state of affairs of the Company and the Group as at the end of that financial year and of the profit or loss of the Group for that year and which provide the necessary information for shareholders to assess the business activities and performance of the Group during that year. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors confirm that they have met the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for the Group's system of internal financial controls, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
23 April 2015

WORLDSEC LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

REPORT ON FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Worldsec Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 14 to 52, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 International Standards on Auditing issued by International Auditing and Assurance Standards Board. 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER REGULATORY REQUIREMENTS

Under the listing rules of the Financial Conduct Authority in the United Kingdom (the "Listing Rules"), we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the Listing Rules, we are required to review the directors' statement set out on page 12 in relation to going concern.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960
Hong Kong, 23 April 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Notes</u>	Year ended 31 December	
		<u>2014</u> US\$'000	<u>2013</u> US\$'000
Revenue	7	8	-
Staff costs	9	(75)	(45)
Other expenses		(360)	(228)
Share of result of a joint venture	14	(48)	-
Loss before income tax expense	10	(475)	(273)
Income tax expense	11	-	-
Loss for the year		(475)	(273)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(6)	2
Other comprehensive income for the year, net of income tax		(6)	2
Total comprehensive income for the year		(481)	(271)
Loss for the year attributable to:			
Owners of the Company		(475)	(273)
Total comprehensive income attributable to:			
Owners of the Company		(481)	(271)
Loss per share - basic and diluted	12	US (0.84) cent	US (1.00) cent

The accompanying notes form an integral part of these consolidated financial statements.

WORLDSEC LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> US\$'000	<u>2013</u> US\$'000
Non-current assets			
Property, plant and equipment	13	67	-
Interest in a joint venture	14	209	-
Available-for-sale financial asset	15	800	-
		<u>1,076</u>	<u>-</u>
Current assets			
Other receivables		8	-
Deposits		21	-
Amount due from a joint venture	14	257	-
Cash and cash equivalents	18	2,769	4,702
		<u>3,055</u>	<u>4,702</u>
Current liabilities			
Other payables and accruals	19	368	458
		<u>2,687</u>	<u>4,244</u>
Net current assets		<u>3,763</u>	<u>4,244</u>
Net assets		<u>3,763</u>	<u>4,244</u>
Capital and reserves			
Share capital	20	57	57
Reserves		3,706	4,187
Total equity		<u>3,763</u>	<u>4,244</u>

The consolidated financial statements on pages 14 to 52 were approved and authorised for issue by the Board of Directors on 23 April 2015 and signed on its behalf by:

Alastair Gunn-Forbes
Director

Henry Ying Chew Cheong
Director

The accompanying notes form an integral part of these consolidated financial statements.

WORLDSEC LIMITED

**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> US\$'000	<u>2013</u> US\$'000
Non-current assets			
Interests in subsidiaries	16	<u>1,926</u>	<u>1,926</u>
Current assets			
Amounts due from subsidiaries	17	<u>1,470</u>	-
Cash and cash equivalents	18	<u>2,626</u>	<u>4,640</u>
		<u>4,096</u>	<u>4,640</u>
Current liabilities			
Other payables and accruals	19	<u>276</u>	371
Amounts due to subsidiaries	17	<u>2,294</u>	<u>2,331</u>
		<u>2,570</u>	<u>2,702</u>
Net current assets		<u>1,526</u>	<u>1,938</u>
Net assets		<u>3,452</u>	<u>3,864</u>
Capital and reserves			
Share capital	20	<u>57</u>	57
Reserves	21	<u>3,395</u>	<u>3,807</u>
Total equity		<u>3,452</u>	<u>3,864</u>

Alastair Gunn-Forbes
Director

Henry Ying Chew Cheong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Equity attributable to owners of the Company						
	Share capital US\$'000 (note 20)	Share premium US\$'000 (note 21)	Contributed surplus US\$'000 (note 21)	Foreign currency translation reserve US\$'000 (note a)	Special reserve US\$'000 (note b)	Accumulated losses US\$'000 (note c)	Total US\$'000
Balance at 1 January 2013	13	-	9,646	(4)	625	(9,646)	634
Loss for the year	-	-	-	-	-	(273)	(273)
Other comprehensive income for the year							
Exchange differences on translating foreign operations	-	-	-	2	-	-	2
Total comprehensive income for the year	-	-	-	2	-	(273)	(271)
Contributions by and distributions to owners							
Issue of new shares by way of open offer and placing	44	4,293	-	-	-	-	4,337
Transaction costs attributable to issue of new shares	-	(456)	-	-	-	-	(456)
Balance at 31 December 2013 and 1 January 2014	57	3,837	9,646	(2)	625	(9,919)	4,244
Loss for the year	-	-	-	-	-	(475)	(475)
Other comprehensive income for the year							
Exchange differences on translating foreign operations	-	-	-	(6)	-	-	(6)
Total comprehensive income for the year	-	-	-	(6)	-	(475)	(481)
Balance at 31 December 2014	57	3,837	9,646	(8)	625	(10,394)	3,763

Notes:

- (a) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.
- (b) The special reserve represents the amount arising from the difference between the nominal value of the issued share capital of each subsidiary and the nominal value of the issued share capital of the Company along with the surplus arising in a subsidiary on group reorganisation completed on 26 February 2007.
- (c) Accumulated losses represent accumulated net gains and losses recognised in the profit or loss of the Group.

The accompanying notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Year ended 31 December	
	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Cash flows from operating activities		
Loss for the year	(475)	(273)
Adjustments for:		
Depreciation of property, plant and equipment	2	-
Share of result of a joint venture	<u>48</u>	<u>-</u>
Operating loss before working capital changes	(425)	(273)
Increase in trade receivables	(8)	-
Increase in deposits	(21)	-
(Decrease)/increase in other payables and accruals	<u>(90)</u>	<u>183</u>
Net cash used in operating activities	<u>(544)</u>	<u>(90)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(69)	-
Acquisition of a joint venture	(257)	-
Purchase of available-for-sale financial asset	(800)	-
Advance to a joint venture	<u>(257)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,383)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of new shares	-	4,337
Payment for share issue costs	<u>-</u>	<u>(456)</u>
Net cash from financing activities	<u>-</u>	<u>3,881</u>
Net (decrease)/increase in cash and cash equivalents	(1,927)	3,791
Cash and cash equivalents at the beginning of the year	4,702	909
Effects of exchange rate changes	<u>(6)</u>	<u>2</u>
Cash and cash equivalents at the end of the year	<u>2,769</u>	<u>4,702</u>

The accompanying notes form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. GENERAL INFORMATION

Worldsec Limited (the “Company”) is a public listed company incorporated in Bermuda and its shares are listed on the Main Market of the London Stock Exchange. The address of the registered office of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company changed its principal place of business address from 6th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong to Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong during the year ended 31 December 2014.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 16 to the consolidated financial statements.

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in United States Dollars (“US\$” or “USD”).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

IFRIC 21 – Levies

IFRIC 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively. The adoption of IFRIC 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective

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

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ^{3*}
Amendments to IAS 1	Disclosure Initiative ^{3*}
Amendments to IAS 27	Equity Method in Separate Financial Statements ³
IFRS 9 (2014)	Financial Instruments ^{5*}
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^{3*}
IFRS 15	Revenue from Contracts with Customers ^{4*}

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

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

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

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

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

* Not yet endorsed by the European Union

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures, and the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 (2014) – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations.

IFRS 15 requires the application of a 5- step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

None of these new and revised IFRSs, which are effective for periods beginning after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the consolidated financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements also comply with IFRSs as issued by the IASB as adopted by the European Union. The differences between IFRSs as adopted by the European Union and IFRS as issued by the IASB have not had a material impact on the consolidated financial statements for the years presented.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company’s statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is a legal and constructive obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint ventures. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leasing

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Revenue recognition

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and bank balance) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account. When any part of a financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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

For available-for-sale financial assets

For available-for-sale equity investments that are carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities (including other payables and accruals) are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investments in subsidiaries

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

A reversal of an impairment loss is recognised in the consolidated statement of profit or loss immediately.

Related parties

- (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 key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (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 the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that has a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

- (i) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment of the Group. The carrying amount of property, plant and equipment is disclosed in note 13.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

(ii) Impairment of receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(iii) Impairment of non-financial assets

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

(iv) Impairment of available-for-sale financial assets

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there is objective evidence that an impairment indicator exists. The determination of whether the impairment indicator exists requires judgement. In making this judgement, management of the Group takes into account factors such as significant changes with an adverse effect that has taken place in technological, market, economic or legal environment in which the investee operates, and that indicates that the cost of the investment in the equity instrument may not be recovered.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	<u>2014</u> US\$'000	<u>2013</u> US\$'000
The Group		
<u>Financial assets</u>		
Loans and receivables	3,055	4,702
Available-for-sale financial asset	800	-
	<u>3,855</u>	<u>4,702</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>368</u>	<u>458</u>
	<u>2014</u> US\$'000	<u>2013</u> US\$'000
The Company		
<u>Financial assets</u>		
Loans and receivables	<u>4,096</u>	<u>4,640</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>2,570</u>	<u>2,702</u>

(b) Financial risk management objectives

Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) *Foreign currency risk*

Certain financial assets and financial liabilities of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Under the Linked Exchange Rate System in Hong Kong, HK\$ is currently pegged to the USD within a narrow range, the directors therefore consider that there are no significant foreign exchange risk with respect to the USD.

The currencies giving rise to this risk are primarily Euro (“EUR”) and British Pound Sterling (“GBP”). The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of reporting period were as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	US\$’000	US\$’000	US\$’000	US\$’000
EUR	2	9	18	26
GBP	88	219	9	10

The following table details the Group’s sensitivity to a 10% (2013: 10%) increase and decrease in USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts its translation as at year end for a 10% (2013: 10%) change in the relevant foreign currencies rates. A positive number below indicates a decrease in loss for the year where USD strengthens 10% (2013: 10%) against the relevant foreign currency. For a 10% (2013: 10%) weakening of USD against the relevant foreign currencies there would be an equal and opposite impact on the loss for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) *Foreign currency risk (Continued)*

	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Change in post-tax loss for the year		
EUR impact	<u>(2)</u>	<u>(2)</u>
GBP impact	<u>8</u>	<u>21</u>

(ii) *Interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk.

The directors consider that the exposure to cash flow interest rate risk was insignificant. Hence, no sensitivity analysis on the exposure to the Group's cash flow interest rate risk is presented.

(iii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

At 31 December 2014, the Company was not exposed to any significant price risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Credit risk

The Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the major counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with banks with a high credit rating, the Group does not have any other significant concentration of credit risk.

At the end of the reporting period, the maximum exposure to credit risk in respect of amounts due from subsidiaries of the Company is set out in Note 17.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity table

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or less than 1 year	
	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Other payables and accruals	<u>368</u>	<u>458</u>

(c) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximated their fair values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

6. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

7. REVENUE

The Group's revenue represents dividend income from available-for-sale financial asset for the year ended 31 December 2014 (2013: nil). No other source of income contributed to the Group's revenue for 2014 and 2013.

8. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the years ended 31 December 2014 and 2013, the executive directors, who were the chief operating decision makers for the purpose of resource allocation and assessment of performance, have determined that the Group had only one single business component / reportable segment as the Group was only engaged in investment holding. The executive directors allocated resources and assessed performance on an aggregated basis. Accordingly, no operating segment is presented.

The major operations and the revenue of the Group arise from Hong Kong. The Board of Directors considers that most of the assets of the Group are located in Hong Kong.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9. STAFF COSTS

The aggregate staff costs of the Group were as follows:

	Year ended 31 December	
	<u>2014</u> US\$'000	<u>2013</u> US\$'000
Wages and salaries (including directors' remuneration)	<u>75</u>	<u>45</u>

Directors' remuneration was as follows:

	Year ended 31 December	
	<u>2014</u> US\$'000	<u>2013</u> US\$'000
Fees	75	45
Other remuneration including contributions to pension and provident fund	<u>-</u>	<u>-</u>
	<u>75</u>	<u>45</u>

10. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense has been arrived at after charging:

	Year ended 31 December	
	<u>2014</u> US\$'000	<u>2013</u> US\$'000
Auditor's remuneration		
- Current year	36	41
- Under provision in prior year	<u>15</u>	<u>-</u>
	<u>51</u>	<u>41</u>
Depreciation of property, plant and equipment	2	-
Foreign exchange loss	7	1
Operating lease rental expenses in respect of office premises and warehouse	<u>25</u>	<u>10</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. INCOME TAX EXPENSE

No provision for taxation has been made as the Group did not generate any assessable profits for United Kingdom Corporation Tax, Hong Kong Profits Tax and tax in other jurisdictions.

The tax charge for 2014 and 2013 can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Loss before income tax expense	<u>475</u>	<u>273</u>
Loss before tax calculated at 16.5% (2013:16.5%)	78	45
Tax effect of estimated tax losses not recognised	<u>(78)</u>	<u>(45)</u>
Tax charge for the year	<u>-</u>	<u>-</u>

The tax losses of US\$9,000 (2013: nil) can be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. No deferred tax has been recognised in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2014 and 2013.

12. LOSS PER SHARE

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share were as follows.

	Year ended 31 December	
	<u>2014</u>	<u>2013</u>
Loss for the year attributable to owners of the Company (US\$'000)	<u>475</u>	<u>273</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>56,734,580</u>	<u>27,387,400</u>
Loss per share – basic and diluted	<u>(0.84) cent</u>	<u>(1.00) cent</u>

In 2013, the weighted average number of ordinary shares for the purpose of basic loss per share had been adjusted for the open offer and placing in September 2013 (note 20).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US\$'000
Cost	
At 1 January 2013, 31 December 2013 and 1 January 2014	-
Additions	69
At 31 December 2014	<u>69</u>
Accumulated depreciation	
At 1 January 2013, 31 December 2013 and 1 January 2014	-
Depreciation	2
At 31 December 2014	<u>2</u>
Carrying amount	
At 31 December 2013	<u>-</u>
At 31 December 2014	<u>67</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

14. INTEREST IN A JOINT VENTURE

	<u>2014</u> US\$'000
Unlisted investment, at cost	257
Share of post-acquisition losses	(48)
Share of net assets	<u>209</u>
Amount due from a joint venture	<u>257</u>

The amount due from a joint venture was unsecured, interest-free and repayable on demand.

Details of the joint ventures at 31 December 2014 were as follows:

Name	Country of incorporation and operation	Proportion of ownership interest		Paid-up registered capital	Principal activities
		Direct	Indirect		
Oasis Education Group Limited 奧偉詩教育集團有限公司 ("Oasis Education")	Hong Kong	50%	-	HK\$4,000,000	Investment holding
奧偉詩教育諮詢(深圳)有限公司	The People's Republic of China (the "PRC")	-	50%	HK\$5,000,000	Provision of education consulting and support services to kindergartens in the PRC

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Oasis Education. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

14. INTEREST IN A JOINT VENTURE (CONTINUED)

The aggregate amounts relating to the joint venture that have been included in the consolidated financial statements of the Group as extracted from relating financial statements of the joint venture, adjusted to reflect adjustments made by the Group when applying the equity method of accounting are set out below:

Result of the joint venture for the year ended 31 December 2014	US\$'000
Revenue	-
Expenses	(96)
Loss and total comprehensive income for the year	<u>(96)</u>
Share of result of the joint venture for the year ended 31 December 2014	<u>(48)</u>
Accumulated share of result of the joint venture	<u>(48)</u>
Assets and liabilities of the joint venture at 31 December 2014	
Non-current assets	-
Current assets	772
Non-current liabilities	-
Current liabilities	(353)
	<u>419</u>
Included in the above amounts were:	
Cash and cash equivalents	772
Current financial liabilities (excluding trade and other payables)	<u>-</u>
Share of net assets of the joint venture	<u>209</u>

At 31 December 2014, neither contingent liabilities nor capital commitments were shared by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. AVAILABLE-FOR-SALE FINANCIAL ASSET

	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Unlisted equity investment, - at cost	<u>800</u>	-

During the year ended 31 December 2014, the Group acquired 8% equity interest in ICBC Specialised Ship Leasing Investment Fund (the "ICBC Shipping Fund") for a total cash consideration of US\$800,000. The ICBC Shipping Fund is a newly established company incorporated in the Cayman Islands with an objective of achieving stable return from primarily investing in marine vessels. The investment was designated as available-for-sale financial asset.

The investment is measured at cost less impairment at each reporting date because the investment does not have a quoted market price in an active market, the range of reasonable fair value estimate is so significant and therefore whose fair value cannot be reliably measured. The directors have no intention to dispose of the available-for-sale financial asset at the end of the reporting period.

The directors have assessed the impacts on the recoverable amount of the financial asset and concluded that no impairment loss needed to be made.

16. INTERESTS IN SUBSIDIARIES

	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
The Company		
Unlisted shares, at cost	6,450	6,450
Less: accumulated impairment loss	<u>(4,524)</u>	<u>(4,524)</u>
	<u>1,926</u>	<u>1,926</u>

The Company did not provide an impairment loss for the year ended 31 December 2014 to write down its investments to net asset value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries of the Company at 31 December 2014 were as follows:

<u>Name</u>	<u>Country of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
Worldsec Financial Services Limited	British Virgin Islands	100%	100%	Investment holding
Worldsec Corporate Finance Limited	British Virgin Islands	100%*	100%*	Inactive
Worldsec International NV	Netherlands Antilles	100%*	100%*	Investment holding
Worldsec International (Netherlands) BV	Netherlands	100%*	100%*	Investment holding
Worldsec International (PH) BV	Netherlands	100%*	100%*	Investment holding
Worldsec Investment (Hong Kong) Limited	Hong Kong	100%*	100%*	Investment holding
Worldsec Investment (China) Limited	British Virgin Islands	100%*	100%*	Investment holding

* Indirectly held subsidiaries

17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	<u>2014</u>	<u>2013</u>
The Company	US\$'000	US\$'000
Amounts due from subsidiaries	1,913	380
Less: impairment loss	(443)	(380)
	<u>1,470</u>	<u>-</u>
Amounts due to subsidiaries	<u>(2,294)</u>	<u>(2,331)</u>

The Company provided an impairment loss of approximately US\$63,000 (2013: US\$380,000) for the year ended 31 December 2014. The amounts due from/(to) subsidiaries were unsecured, interest-free and repayable on demand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents included cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of financial position were as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Bank balances	2,768	4,701	2,625	4,639
Cash balances	1	1	1	1
	2,769	4,702	2,626	4,640

Bank balances bore interest at the then prevailing market rates ranging from 0.001% to 0.01% (2013: 0.001% to 0.01%) per annum and had original maturities of three months or less.

19. OTHER PAYABLES AND ACCRUALS

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Other payables	188	193	147	147
Accruals	180	265	129	224
	368	458	276	371

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. SHARE CAPITAL

	Number of shares (US\$0.001 each)	Total value US\$'000
Authorised:		
At 1 January 2013	50,000,000,000	50,000
Additions during the year (note (a))	<u>10,000,000,000</u>	<u>10,000</u>
At 31 December 2013, 1 January 2014 and 31 December 2014	<u><u>60,000,000,000</u></u>	<u><u>60,000</u></u>
Called up, issued and fully paid:		
At 1 January 2013	13,367,290	13
Issue of new shares by way of placing (note (b))	30,000,000	30
Issue of new shares by way of open offer (note (c))	<u>13,367,290</u>	<u>14</u>
At 31 December 2013, 1 January 2014 and 31 December 2014	<u><u>56,734,580</u></u>	<u><u>57</u></u>

Notes:

- (a) Pursuant to the ordinary resolution passed on 30 August 2013, the authorised share capital of the Company was increased from US\$50,000,000 divided into 50,000,000,000 ordinary shares of US\$0.001 each to US\$60,000,000 divided into 60,000,000,000 ordinary shares of US\$0.001 each by the creation of an additional 10,000,000,000 ordinary shares of US\$0.001 each.
- (b) In September 2013, the Company issued 30,000,000 ordinary shares of US\$0.001 each in the share capital of the Company at a price of US\$0.10 per share by way of placing to independent investors, giving rise to gross proceeds of US\$3 million.
- (c) In September 2013, the Company issued 13,367,290 ordinary shares of US\$0.001 each in the share capital of the Company at a price of US\$0.10 per share by way of open offer on the basis of 1 new share for every 1 ordinary share held by qualifying shareholders, giving rise to gross proceeds of US\$1.3 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

21. RESERVES

The Company	Share <u>premium</u> US\$'000 (note (a))	Contributed <u>surplus</u> US\$'000 (note (b))	Accumulated <u>losses</u> US\$'000 (note (c))	<u>Total</u> US\$'000
At 1 January 2013	-	9,646	(9,025)	621
Loss and total comprehensive income for the year	-	-	(651)	(651)
Issue of new shares by way of open offer and placing (notes 20(b), (c))	4,293	-	-	4,293
Transaction costs attributable to issue of new shares	<u>(456)</u>	<u>-</u>	<u>-</u>	<u>(456)</u>
At 31 December 2013 and 1 January 2014	3,837	9,646	(9,676)	3,807
Loss and total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(412)</u>	<u>(412)</u>
At 31 December 2014	<u>3,837</u>	<u>9,646</u>	<u>(10,088)</u>	<u>3,395</u>

Notes:

- (a) The share premium account represents the premium arising from the issue of shares of the Company at a premium.
- (b) The contributed surplus represents the amount arising from the reduction in the nominal value of the authorised and issued shares of the Company and the reduction in the share premium account of the Company pursuant to an ordinary resolution passed on 23 July 2003.
- (c) Accumulated losses represent accumulated net gains and losses recognised in the profit or loss of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

22. RELATED PARTY TRANSACTIONS

Save as those disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the years ended 31 December 2014 and 2013:

(a)	<u>Name of related company</u>	<u>Nature of transaction</u>	<u>2014</u> US\$'000	<u>2013</u> US\$'000
	WAG Worldsec Corporate Finance Limited (<i>note</i>)	Consultancy fee	<u>32</u>	<u>-</u>
	WAG Worldsec Corporate Finance Limited (<i>note</i>)	Accounting fee	<u>19</u>	<u>18</u>

Note: Mr. Henry Ying Chew Cheong, a director of the Company, had beneficial interest (approximately 34%) in the related company.

- (b) With reference to the open offer of new shares to shareholders to raise new equity capital of the Company which was approved by shareholders in the Special General Meeting on 30 August 2013, Messrs. Alastair Gunn-Forbes, Henry Ying Chew Cheong and Ernest Chiu Shun She, being directors of the Company, had each subscribed in full for their entitlements (including, in the case of Mr. Henry Ying Chew Cheong, the entitlements belonging to his associates).

In addition, Mr. Henry Ying Chew Cheong had entered into an underwriting agreement with the Company to underwrite 6,242,925 new shares under the open offer (being the number of shares not owned by him, his associates or other directors).

- (c) With reference to the placing of new shares to independent third-party investors to raise new equity capital of the Company which was approved by shareholders in the Special General Meeting on 30 August 2013, Mr. Henry Ying Chew Cheong was approved by shareholders to participate in the placing of new shares of up to 6,242,925 new shares. Under the terms of the underwriting agreement in connection with the open offer referred to above, Mr. Henry Ying Chew Cheong had agreed to acquire an aggregated maximum of 6,242,925 new shares in the open offer and placing.

As previously announced, the number of new shares required to be taken up by Mr. Henry Ying Chew Cheong in his capacity as the underwriter in connection with the open offer amounted to 5,652,873 new shares and he did not acquire any new shares from the placing as valid acceptances for the maximum subscription of the placing were received.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Key management personnel of the Company are the directors of the Company only. The remuneration of directors is set out on the consolidated statement of profit or loss and other comprehensive income and with additional disclosure in note 9 to the consolidated financial statements.

23. OPERATING LEASE COMMITMENTS

Operating leases – lessee

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouse as follows:

	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000
Not later than one year	63	10
Later than one year and not later than five years	101	5
	<u>164</u>	<u>15</u>

The leases run for an initial period of 2 to 3 years, with an option to renew the office premises lease upon expiry when all terms are renegotiated.

The Company did not have any lease arrangement as lessee at 31 December 2014 and 2013.

24. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities at 31 December 2014 (2013: nil).

25. EVENT AFTER RERORTING PERIOD

Subsequent to 31 December 2014, the Group has made an investment of CHF320,000 (equivalent to approximately USD325,000) in the equity capital of Ayondo Holding AG, a company incorporated in Switzerland.

BIOGRAPHICAL NOTES OF THE DIRECTORS

The Board has ultimate responsibility for the Group's affairs.

Brief biographical notes of the directors are set out below:

Alastair Gunn-Forbes - Non-Executive Chairman - aged 70

Mr Gunn-Forbes has been associated with Asian regional stock markets since 1973 when he was a fund manager at Brown Shipley Ltd. Subsequently, he was a director of W.I Carr, Sons & Co. (Overseas) Ltd until 1985, since when he has held directorships with other Asian securities firms in the United Kingdom prior to joining the Group in 1993. Mr Gunn-Forbes is the Chairman of Opera Holdings, a recruitment company and also the Chairman of FutureBiogas, a green energy company.

Henry Ying Chew Cheong - Executive Director and Deputy Chairman - aged 67

Mr Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London.

Mr Cheong has over 35 years of experience in the securities industry. Mr Cheong and The Mitsubishi Bank in Japan (now known as The Bank of Tokyo-Mitsubishi UFJ Ltd) founded the Worldsec Group in 1991. In late 2002, Worldsec Group sold certain securities businesses to UOB Kay Hian and following that Mr Cheong became the Chief Executive Officer of UOB Asia (Hong Kong) Ltd until early 2005. Prior to the formation of the Worldsec Group, Mr Cheong was a director of James Capel (Far East) Ltd for five years with overall responsibility for Far East Sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong latterly as Managing Director.

Mr Cheong is an Independent Non-Executive Director of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, CNNC International Limited, Creative Energy Solutions Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited), Hutchison Telecommunications Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group Limited, all being listed companies in Hong Kong. Mr Cheong is also an Independent Director of BTS Group Holdings Public Company Limited, being listed in Thailand. Mr Cheong was an Independent Non-executive Director of Hong Kong Jewellery Holding Limited (formerly known as Excel Technology International Holdings Limited), a company listed in Hong Kong (resigned on 3 July 2012).

Mr Cheong is a member of the Advisory Committee of the Securities and Futures Commission and also a member of the Securities and Futures Appeals Tribunal in Hong Kong. Mr Cheong was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants (from 2005-2011), a member of the Corporate Advisory Council of the Hong Kong Securities Institute (from 2002-2009), a member of the Advisory Committee (from 1993-1999) to the Securities and Futures Commission ("SFC"), a member of the Board of Director of the Hong Kong Future Exchange Limited (from 1994-2000), a member of GEM Listing Committee and Main Board Listing Committee of Hong Kong Exchange and Clearing Limited ("HKEX") (from May 2002-May 2006), a member of Derivatives Market Consultative Panel of HKEX (from April 2000-May 2006), a member of the Process Review Panel for the SFC (from November 2000-October 2006) and a member of the Committee on Real Estate Investment Trust of the SFC (from September 2003-August 2006).

BIOGRAPHICAL NOTES OF THE DIRECTORS

Ernest Chiu Shun She - *Executive Director – aged 54*

Mr She is an investment banker with extensive experience in the field of corporate finance having covered a broad and diverse range of financial advisory and fund raising activities in the Asian regional stock markets and had held executive management positions and directorships at Worldsec Corporate Finance Limited and UOB Asia (Hong Kong) Limited.

Mr She was one of the cofounding team members at the Worldsec Group of companies when they were established in the early 1990s. Between 1991 and until the disposal by the Group of certain securities businesses to UOB Kay Hian Holdings Limited in 2002, Mr She spent a total of eleven years holding senior management positions at Worldsec Corporate Finance Limited and Worldsec International Limited with the main responsibility of developing and overseeing the Group's corporate finance activities.

Prior to his tenure at the Worldsec Group of companies, Mr She was an investment analyst and an associate director at James Capel (Far East) Limited where he was primarily responsible for equity research in the real estate sector.

Mr She graduated from the University of Toronto with a Bachelor of Applied Science degree in Industrial Engineering and obtained from the Imperial College of Science and Technology a Master of Science degree in Management Science specialising in Operational Research. Mr She is a Chartered Financial Analyst.

From 2004 to 2010, Mr She served as an Independent Non-Executive Director and the Chairman of the Audit Committee of New Island Printing Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr She rejoined the Group in July 2013 to assist in the reactivation of its business activities.

Mark Chung Fong - *Non-Executive Director - aged 63*

Mr Fong was an Executive Director for China development of Grant Thornton International Ltd, a corporation incorporated in England and had retired from Grant Thornton effective from 1 January 2014. He has more than 30 years' experience in the accounting profession. Mr Fong holds a Master of Science degree from the University of Surrey. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow and a Past President of the Hong Kong Institute of Certified Public Accountants.

Martyn Stuart Wells - *Non-Executive Director – aged 70*

Mr Wells was formerly an Executive Director of Citicorp International Limited and has over 30 years' experience in the securities industry. In 1969 he joined Vickers da Costa, international stockbrokers. He was involved in the fund management industry for 20 years and participated in the launch of several country funds investing in the Asian region, serving as a director or as a member of the investment advisory councils of several of those funds. He lived in Hong Kong for almost 28 years and since 2000 has resided in England.