Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability
Stock Code:765

ANNUAL REPORT 2014

年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Siu Chung
(Chairman and Managing Director)
Mr. Tsui Yan Lee, Benjamin
(resigned on 31 January 2015)
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent Non-executive Directors:

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

COMPANY SECRETARY

Ms. Pang Siu Yin

AUDITOR

HLM CPA Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Cheung, Tong and Rosa, Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

WEBSITE

www.perfectech.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units C & D, 9/F, Sing Teck Factory Building,
44 Wong Chuk Hang Road,
Aberdeen,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

RESULTS

The board of directors of the Company (the "Board") has resolved to announce the audited consolidated results for the year ended 31 December 2014. Total revenue for the year amounted to approximately HK$225,549,000 (2013: HK$248,741,000), representing a decrease of about 9%. The net profit for the year stood at approximately HK$7,677,000 (2013: HK$12,512,000). Basic earnings per share was approximately 2.61 HK cents (2013: 4.48 HK cents).

FINAL DIVIDEND

The Board recommends the payment of a final dividend for the year ended 31 December 2014 of 2.0 HK cents per share (2013: 3.0 HK cents per share) payable to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 5 June 2015. The proposed final dividend, together with the interim dividend of 1.0 HK cent per share (2013: 1.0 HK cent per share) will make a total dividend of 3.0 HK cents per share for the year ended 31 December 2014 (2013: 4.0 HK cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 27 May 2015 (the "AGM"), the final dividend will be paid on or about 18 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, and entitlement to the final dividend, the Register of Members will be closed during the below period, details of which are set out below:

(i) For determining the eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration –	4:30 pm on Friday, 22 May 2015
Closure of the Register of Members –	Tuesday, 26 May 2015 to Wednesday, 27 May 2015 (both dates inclusive)
Record date –	Wednesday, 27 May 2015

(ii) For determining the eligibility to receive the final dividend:

Latest time to lodge transfer documents for registration –	4:30 pm on Wednesday, 3 June 2015
Closure of the Register of Members –	Thursday, 4 June 2015 to Friday, 5 June 2015 (both dates inclusive)
Record date –	Friday, 5 June 2015

CHAIRMAN'S STATEMENT

During the above closure periods, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, and to be entitled to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong at Tricor Standard Limited no later than the aforementioned latest time respectively.

BUSINESS REVIEW

Since the discontinuation of the packaging segment in 2013, there remained two main business segments, namely, the novelties and decorations segment and the toys segment for the Group, for the year under review. As stated above, the turnover of the Group dropped by about 9% and both segments recorded a negative growth, details of the performance of the two segments are disclosed below. This was mainly due to the fact that, among others, the global economy stayed lacklustre, especially in Europe, weakening the demand for consumer products.

On the other hand, due to the influence of the highly volatile global financial markets, especially the price of oil in recent months, the Group recorded a loss from investment during the year under review. Details of the breakdown of income from investment will be disclosed below.

For the year of 2014, the profit of the Group included gain on disposal of investments held-for-trading of approximately HK$2,451,000 (2013: loss of HK$945,000), decrease in fair value of investments held-for-trading of approximately HK$2,764,000 (2013: decrease of HK$1,293,000) and decrease in fair value of derivative financial instruments of approximately HK$3,341,000 (2013: increase of HK$3,384,000).

Besides, administrative expenses increased by about 5% to approximately HK$38,175,000 (2013: HK$36,511,000). Such increase was mainly due to, among others, certain overheads formerly allocated to the packaging segment, which was discontinued in 2013, being now absorbed by the Group. On the other hand, distribution costs decreased by about 18% to HK$5,880,000 (2013: HK$7,135,000).

Finance costs increased by about 13% to approximately HK$359,000 (2013: HK$317,000) as a result of the drawdown of loans for the acquisition of the investment property during the year.

FUTURE PLAN & PROSPECT

Due to increasing costs of production in mainland China, it has become more difficult for manufacturers to strive for survival there, especially for processing industries without high value-added products. To overcome the above uneasy issue, the Group will continue to concentrate on profitable and high technique-based manufacturing businesses. For the novelties and decorations segment, extra efforts will be put in improving production efficiency and cost saving, together with proposed change of marketing strategy, it is targeted that the segment will achieve break-even in the coming year.

In order to diversify its income sources, the Group will continue to invest in the financial market with available funds on hand and in accordance with the Group's treasury policies on investment transactions ("Treasury Policies"). Moreover, the Group acquired further investment property for rental purposes during the year under review to increase source of stabilized income.

Looking ahead, although the overall environment of manufacturing business is still challenging, the Board is prudently optimistic that the performance of the Group in coming years may improve.

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year under review.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RESULTS

Novelties and decorations

The turnover of this segment for the year under review showed a further decrease of about 14% to approximately HK$57,077,000 (2013: HK$66,216,000), and the segment recorded a loss before interests and tax of approximately HK$5,387,000 (2013: gain of HK$2,062,000). Included in the loss there was no gain on derecognition of subsidiary (2013: HK$2,551,000). The substantial loss was mainly due to the decrease of sales amount to a record low level together with the decrease in profit margin as a result of keen competition and rising costs of production.

Toy products

The turnover of this segment decreased by about 8% to approximately HK$168,472,000 (2013: HK$182,525,000), and the segment result therefrom also decreased by about 26% to approximately HK$22,113,000 (2013: HK$29,897,000). The segment continued to be the best performing one within the Group and maintained a relatively stable performance, which is hard to be achieved under the current global and local manufacturing environment.

Investments

To well utilise the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2014, the market value of investments-held-for-trading was approximately HK$46,993,000 (2013: HK$46,675,000).

In addition, the Group may utilise its cash on hand by investing in other types of investment with a view to enhancing the return to the shareholders. However, that must be carried out in accordance with the Company's Treasury Policies, details of which are posted on the Company's website, www.perfectech.com.hk.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all its factories are located in the PRC, expenses incurred there are dominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 31 December 2014, the Group had not entered into any financial instrument for the hedging of foreign currency.

Liquidity and financial resources

As at 31 December 2014, there were no long-term finance lease obligation and bank loan of the Group (2013: HK$nil), while the short term bank borrowings were approximately HK$30,255,000 (2013: HK$21,918,000), and none of the Group's plant and machinery (2013: HK$nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 17% (2013: 11%). As at 31 December 2014, the Group had bank balances and cash of approximately HK$49,060,000 (2013: HK$86,406,000).

With cash and other current assets as at 31 December 2014 of HK$147,805,000 (2013: HK$201,243,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value of the Group as at 31 December 2014 was approximately HK$0.61 (2013: HK$0.69) per share based on the actual number of 298,665,607 (2013: 290,115,607) shares in issue on that date.

Employees and remuneration policies

As at 31 December 2014, the Group employed approximately 1,200 (2013: 1,350) full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the "AGM") will be held at 3:00 p.m. on 27 May 2015, Wednesday at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company ("Directors") and the independent auditors of the Company ("Auditors") for the year ended 31 December 2014.

2. To declare a final dividend of 2.0 HK cents per ordinary share of the Company ("Shares") to be paid out of the distributable profits to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 5 June 2015.

3. To re-appoint Messrs. Messrs. HLM CPA Limited as the Auditors and authorise the board of Directors to fix their remuneration.

4. To re-elect the retiring Directors.

5. To re-elect Mr. Lam Yat Cheong as an independent non-executive Director.

6. To re-elect Mr. Yip Chi Hung as an independent non-executive Director.

7. To authorise the board of Directors to fix the Directors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without modification) as ordinary resolutions:

8. "**THAT**

   (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with unissued shares in the Company or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time (a) on a Rights Issue (as hereinafter defined) or (b) upon the exercise of any options under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares or (c) upon the exercise of rights of subscription or conversion attaching to any warrants or convertible bonds issued by the Company or any securities which are convertible into Shares the issue of which warrants and other securities has previously been approved by shareholders of the Company or (d) as any scrip dividend or similar arrangements pursuant to the Bye-laws of the Company, not exceeding twenty per cent of the issued share capital of the Company as at the date of this resolution; and

(b) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

and "Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognized regulatory body or any stock exchange applicable to the Company)."

9. "**THAT** there be granted to the Directors an unconditional general mandate to repurchase Shares, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorize the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;

(c) the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than ten per cent of the Shares in issue at the date of passing this resolution; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

10. "**THAT**, subject to the availability of unissued share capital and conditional upon the resolutions nos. 8 and 9 above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with resolution no. 9 above shall be added to the number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 8 above."

By order of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 17 April 2015

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the AGM is entitled to appoint more than one proxy or a duly authorized corporate representative to attend and vote in his stead. A proxy needs not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the AGM and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.

2. A form of proxy for the AGM is enclosed with the Company's circular dated 17 April 2015. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

3. The Hong Kong branch register of members of the Company will be closed from 26 May 2015 to 27 May 2015 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the AGM. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 May 2015, Friday.

4. The Hong Kong branch register of members of the Company will be closed from 4 June 2015 to 5 June 2015 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to the proposed final dividend upon passing of resolution no. 2 set out in this notice. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 3 June 2015, Wednesday.

5. With regard to resolutions no. 8 above, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the general mandate to be granted under resolution no. 8 above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. POON Siu Chung (Mr. Poon), aged 65, is the Chairman and Managing Director of the Company. Mr. Poon is the co-founder of the group and has over 40 years' experience in the plastic industry and toy business. He oversees the Group's operations and is responsible for formulating the Group's overall corporate policies and development plans. Mr. Poon is the father of Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert.

Mr. Poon has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party by the other or payment in lieu.

In the three years immediately preceding the date of this Report, Mr. Poon did not hold any directorship in any publicly listed companies.

Mr. TSUI Yan Lee, Benjamin, aged 55, is responsible for the sales and marketing of the Group's novelties and festival decorations. Prior to joining the Group in 1983, he worked in a manufacturing company as a sales executive for over 3 years. Mr. Tsui resigned on 31 January 2015.

Dr. POON Wai Tsun, William, aged 37, graduated from University of Bristol in the United Kingdom with a Bachelor degree in Mechanical Engineering and a Doctor of Philosophy degree in Engineering. Dr. Poon is responsible for the research and development of the Group's products. He joined the Group in 2009 and has more than 5 years' experience in manufacturing industry. Dr. Poon is the eldest son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the elder brother of Mr. Poon Wai Yip, Albert.

In the three years immediately preceding the date of this Report, Dr. Poon did not hold any directorship in any publicly listed companies.

Mr. POON Wai Yip, Albert (Mr. A. Poon), aged 31, graduated from the University of Nottingham, United Kingdom with a Bachelor degree of Engineering in Civil Engineering and a Master of Science degree in Management from the Imperial College of Science, Technology and Medicine in the United Kingdom. Mr. A. Poon has over five years' experience in corporate finance and is responsible for the investment activities and corporate finance function of the Group. Prior to joining the Group in 2011, he worked for the corporate finance division of a licensed corporation registered under the Securities and Futures Ordinance (the "SFO") in Hong Kong and has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization, takeover matters and a variety of fund raising exercises. Mr. A. Poon is a son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the younger brother of Dr. Poon Wai Tsun, William.

In the three years immediately preceding the date of this Report, Mr. A. Poon did not hold any directorship in any publicly listed companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. LAM Yat Cheong, aged 53, graduated from the Hong Kong Baptist University. Mr. Lam is a Certified Public Accountant and a sole proprietor of an audit firm and has over 20 years of auditing and accounting experience. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lee's Pharmaceutical Holdings Limited and Wuyi International Pharmaceutical Company Limited, both companies are listed in Hong Kong.

Mr. YIP Chi Hung, aged 56, is experienced in the construction industry. Mr. Yip is a director of Fong Wing Shing Construction Company Limited, a reputable registered building contractor in Hong Kong. He has over 25 years of experience in a variety of building and maintenance projects for both the public and private sectors and is also well versed in the development of properties in Hong Kong and Singapore. On 30 June 2014, Mr. Yip ceased to act as the chairman and an executive director of PacMos Technologies Holdings Limited ("PacMos"), a company listed in Hong Kong and was re-appointed as an executive director of PacMos on 3 July 2014 and resigned on 27 November 2014.

Mr. CHOY Wing Keung, David, aged 49, graduated from the Hong Kong Shue Yan University and is the sole proprietor of David Choy & Co., Certified Public Accountants (Practising). He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Certified Chartered Accountants. He has over 20 years of experience in the areas of auditing, accounting, secretarial services and taxation.

In the three years immediately preceding the date of this Report, Mr. Choy did not hold any directorship in any publicly listed companies.

SENIOR MANAGEMENT

Mr. YUEN Che Wai, Victor, aged 49, is the Group's financial controller. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is responsible for the overall supervision on the accounting and finance functions of the Group. Mr. Yuen holds a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He joined the Group in 1991 and has more than 20 years of experience in the audit and accounting field.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors of the Company ("Board") is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relations with its employees, business partners, shareholders and investors.

On 29 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2014, the Company has complied with the Code Provisions save for the following deviations:

Under Code Provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

While the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken up by the managing director of the company. Mr. Poon Siu Chung is the chairman (the "Chairman") of the board of directors of the Company (the "Board") and the managing director of the Company (the "Managing Director"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believes that having Mr. Poon performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 20 May 2014.

CORPORATE GOVERNANCE REPORT

Under Code Provision C.3.3(b), the Audit Committee shall review and monitor the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

Due to the tight timeline of the audit timetable for the year ended 31 December 2014, the Audit Committee did not meet physically with the external auditors to discuss the nature and scope of the 2014 annual audit before the audit commenced. However, to ensure that the effectiveness of the 2014 annual audit, audit issues, if any, were reported by the external auditors from time to time during the 2014 annual audit summarizing matters arising from their audit of the Group for the year 2014.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors of the Company (the Directors) for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and said Directors, and so there is no written record of the same.

In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since 1 April 1998. The Company has also assigned Mr. Poon Wai Yip, Albert, an executive Director of the Company, and Mr. Yuen Che Wai, Victor, the financial controller of the Company, as the contact persons with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned. Given the long-term relationship between Ms. Pang and the Group, she is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance with the relevant Board procedures, applicable laws, rules and regulations.

DIRECTORS

The Board

The Board of Directors, led by the Chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

Board Composition

There are currently 6 directors, all being industry veterans, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board of the Company currently comprises the following directors:

Executive Directors
Mr. Poon Siu Chung *(Chairman and Managing Director)*
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent Non-executive Directors
Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

An updated list of the Company's Directors by category identifying their roles is at all times available on the websites of the Company and the Stock Exchange. The list specifies whether the Director is an independent non-executive Director and expresses the respective roles of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Biographical Details of Directors and Senior Management" of this annual report on pages 11 to 12.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board, except the following:

- Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert are sons of Mr. Poon Siu Chung, the Chairman and the Managing Director of the Company and their mother, Ms. Lau Kwai Ngor, is a substantial shareholder of the Company.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors play an important role on the Board. Accounting for a half of the Board members, they are experienced professionals in their respective fields and two of the independent non-executive Directors have appropriate professional qualifications of accounting or related financial management expertise.

They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole.

Throughout the year of 2014, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Number of meetings attended/eligible to attend in 2014

During the year of 2014, the Board held 4 regular meetings at about quarterly intervals and 32 additional special meetings. As regards general meetings, the Company held the annual general meeting on 20 May 2014.

Attendance of individual directors at the Board meetings and general meeting in 2014 is as follows:

	Regular Board Meetings	**Special Board Meetings for Operational Matters**	**General Meeting**
Executive Directors			
Mr. Poon Siu Chung	4/4	32/32	1/1
Mr. Tsui Yan Lee, Benjamin *(Note 1)*	3/4	28/32	1/1
Dr. Poon Wai Tsun, William	4/4	0/32	1/1
Mr. Poon Wai Yip, Albert	4/4	31/32	1/1
Independent non-executive Directors			
Mr. Lam Yat Cheong	4/4	0/32	1/1
Mr. Yip Chi Hung	2/4	0/32	0/1
Mr. Choy Wing Keung, David	4/4	0/32	1/1

Note 1: Mr. Tsui Yan Lee, Benjamin resigned as a director of the Company effective from 31 January 2015.

Notice of regular Board meetings are served to all directors at least 14 days before the meeting while reasonable notice is generally given for other board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Audit Committee and Remuneration Committee and Nomination Committee meetings are kept by the Company Secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by directors or dissenting views expressed. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all directors or committee members for their record.

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder or a director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive directors who have no material interest in the said transaction. Directors are abstained from voting and not be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its directors and officers arising out of corporate activities.

Chairman and Chief Executive

Code Provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. As explained earlier, while the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken up by Mr. Poon Siu Chung, who is both the Chairman and Managing Director of the Company.

CORPORATE GOVERNANCE REPORT

In accordance with the Directors' Memorandum in Discharging Directors' Duties adopted by the Company on 27 March 2012 (the "Memorandum"), as the Company's Chairman, Mr. Poon Siu Chung is responsible for:

- overseeing the development of the long-term strategies, objectives and policies for the Company;
- ensuring all directors are properly briefed on matters to be discussed at Board meetings;
- ensuring all directors receive, in a timely manner, adequate, accurate, clear, complete and reliable information in a timely manner;
- providing leadership for the Board;
- ensuring that the Board works effectively and performs its responsibilities;
- ensuring that agenda for Board meetings are drawn up and approve them, taking into account any matters proposed by the other directors for inclusion in the agenda;
- taking primary responsibility for ensuring that good corporate practices and procedures are in place;
- encouraging all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company;
- encouraging Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;
- ensuring appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole;
- promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors;
- attending the AGM and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM;
- holding meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present;
- deciding whether a resolution at a general meeting relating purely to a procedural or administrative matter should be excluded from the requirement for voting by poll.

Appointments, re-election and removal

Under Bye-law 99 of the Company's Bye-laws and Code Provision A.4.2, every Director, including those appointed for a specific term shall be subject to retirement by rotation at the annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive Directors of the Company were appointed to hold office until the conclusion of the next annual general meeting, subject to re-election by shareholders.

In accordance with the said provision of the Bye-laws and Code Provision A.4.1 and A.4.2, in the annual general meeting held on 20 May 2014, all independent non-executive Directors (namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David) were elected to hold office until the next AGM to be held in 2015, subject to re-election by shareholders.

Independent Non-executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgment.

Mr. Lam Yat Cheong and Mr. Yip Chi Hung have served the Company for 10 years, since their appointments in 2004. However, the Company believed that they were still independent and should be re-elected. Their further appointments were subject to a separate resolution approved by shareholders in the general meeting held on 20 May 2014. In the circular dated 11 April 2014, the Board explained the reasons why it believed them to be independent and should be re-elected. Save as being independent non-executive Directors of the Company, they did not hold any other position with the Company and other members of the Group. Moreover, the annual emoluments payable to them were determined by reference to their duties and responsibilities and the prevailing market conditions (subject to review by the Remuneration Committee from time to time).

Nomination of Directors

On 27 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors

The Board views that the independent non-executive Directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgment at the Board Meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Board committees of the Company.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments. They have also informed the Company of the identity of other public companies or organizations they serve and the time involved in these public companies or organizations.

All Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to his necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, including executive and independent non-executive and ensures the better understanding of the views of shareholders by all Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the Directors made inquiries during the Board meetings and Board committee meetings. The queries raised by Directors have received a prompt and full response.

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2014 to 31 December 2014:

Directors	Corporate Governance/ Updates on Laws, Rules and Regulation: Read Materials	Corporate Governance/ Updates on Laws, Rules and Regulation: Attend Seminars/ briefings	Accounting/ Financial/ Management or Other Professional Skills or Industry Knowledge: Read Materials	Accounting/ Financial/ Management or Other Professional Skills or Industry Knowledge: Attend Seminars/ briefings
Executive Directors				
Mr. Poon Siu Chung	✓	–	–	–
Mr. Tsui Yan Lee, Benjamin	✓	–	–	–
Dr. Poon Wai Tsun, William	✓	–	–	✓
Mr. Poon Wai Yip, Albert	✓	–	–	–
Independent Non-executive Directors				
Mr. Yip Chi Hung	✓	✓	–	–
Mr. Lam Yat Cheong	✓	–	–	–
Mr. Choy Wing Keung, David	✓	–	–	–

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2014, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2014 are set out on pages 35 to 36 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a Director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

Management Functions

The Board is responsible for formulating strategies and business plans for the Group and is collectively responsible for its success.

For aspects of management and administration functions delegated to the management, the Board has given clear directions as to the management's power, particularly as to where management should report back and obtain prior Board approval.

The functions reserved to the Board and those delegated to management have been formalized and are reviewed periodically to ensure that they remain appropriate. On 27 March 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the company.

The Board has delegated decisions in relation to daily operation and administration responsibilities to management under the supervision of the Managing Director. The aforesaid Memorandum has also set out a set of principles which the Board should adhere to when it delegates authority.

In accordance with the Memorandum, the types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- reviewing and monitoring the policies and practices on corporate governance.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

Directors clearly understand the above delegation arrangements of the Company.

Board Committees

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

In 2014, the Board had 3 Board Committees, which are the Remuneration Committee, the Audit Committee, and Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the committees in 2014 is as follows:

	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors			
Mr. Poon Siu Chung	N/A	1/1	N/A
Mr. Tsui Yan Lee, Benjamin	N/A	N/A	N/A
Dr. Poon Wai Tsun, William	N/A	N/A	N/A
Mr. Poon Wai Yip, Albert	N/A	N/A	1/1
Independent non-executive Directors			
Mr. Yip Chi Hung	1/2	1/1	1/1
Mr. Lam Yat Cheong	2/2	1/1	1/1
Mr. Choy Wing Keung, David	2/2	1/1	1/1

Nomination Committee

On 27 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Directors. The Committee currently comprises 1 executive Director and 3 independent non-executive Directors, namely:

Executive Directors
Mr. Poon Wai Yip, Albert

Independent Non-Executive Directors
Mr. Choy Wing Keung, David *(Chairman)*
Mr. Lam Yat Cheong
Mr. Yip Chi Hung

The Nomination Committee is governed by its terms of reference, which have been revised on 29 August 2013 and are closely aligned with the relevant Code Provisions requirements. They are available at both the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the INEDs; and
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy.

During the year, the Nomination Committee has conducted the following tasks:

- reviewed the policy for the nomination of Directors;
- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- made recommendations to the Board regarding proposed changes to implement the Company's corporate strategy;
- assessed the independence of the independent non-executive Directors;
- assessed the time required from a Director to perform his responsibilities; and
- reviewed the board diversity policy of the Company, adopted by the Board on 29 August 2013 (the "Board Diversity Policy").

Board Diversity Policy

The Board has adopted the Board Diversity Policy" on 29 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

The Board has set measurable objectives based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service to select candidates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

Remuneration Committee

Remuneration of Directors

The Remuneration Committee was established pursuant to Rule 3.25 of the Listing Rules. It makes recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 27 March 2012 pursuant to the revised Code. The terms of reference are made available on the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

The Remuneration Committee is chaired by the independent non-executive Director, Mr. Yip Chi Hung. It now consists of 5 members, namely:

Executive Director

Mr. Poon Siu Chung

Independent Non-executive Directors

Mr. Yip Chi Hung *(chairman)*

Mr. Lam Yat Cheong

Mr. Choy Wing Keung, David

Financial Controller

Mr. Yuen Che Wai, Victor

During 2014, 1 Remuneration Committee meeting was held. All members of the Remuneration Committee attended at the meeting.

The work performed by the Remuneration Committee during 2014 included consideration of the followings:

- remuneration policy and structure of Directors and senior management;
- specific remuneration packages of all executive Directors and senior management;
- recommendations to the Board of the remuneration of non-executive Directors; and
- the salary review of the Group for 2015.

Emolument Policy and Long-Term Incentive Plan
The Company adopts different emolument policies for executive Directors and non-executive Directors:

Emolument Policy for Executive Directors
1. A proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive Directors.

3. The performance-related elements of remuneration should be designed to align the executive Directors' interests with those of shareholders and to give the Directors keen incentives to perform at the highest levels.

4. Factors for Defining Performance-Based Remuneration:

   (a) Eligibility for annual bonuses and any upper limits

   (b) Annual bonuses should be linked to relevant performance indicators designed to enhance the Company's business

   (c) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

   (d) Examples of performance indicators:

      (i) share price

      (ii) net earnings figure

Emolument Policy for Non-executive Directors

1. Levels of emolument of non-executive Directors should reflect the time commitment and responsibilities of the role.

2. Non-executive Directors should have the opportunity to have part of their remuneration in shares on condition that share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all of whom are independent non-executive Directors of the Company. Mr. Lam Yat Cheong is the chairman of the Audit Committee. Both Mr. Lam and Mr. Choy have professional qualifications in accounting. The Audit Committee usually meets 2 times a year.

The Audit Committee is governed by its terms of reference, which have been revised by the Board on 27 March 2012 pursuant to the revised Code. The terms of reference are made available on the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

During year 2014, the Audit Committee met 2 times. The attendance of the members thereat is included in the table set out above.

The Audit Committee meetings are normally attended by the Company's financial controller and the external auditor, for discussion of the audit of the Company's annual results only. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2014 included consideration of the following matters:

- the completeness and accuracy of the 2013 annual and 2014 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- detailed analysis of various aspects of the Company's financial performance;
- investment policies and possible impact of certain investment transactions;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2014; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLM CPA Limited as the external auditors.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Committee is also supported by the external auditor.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Board is responsible for the integrity of the financial information of the Group. The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 42 to 43.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 44 to 130 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 6 to 7 in this report.

CORPORATE GOVERNANCE REPORT

The Management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The Management also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Company. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year under review, the Board has reviewed the structure and effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

In 2014, the Board has identified no major internal control issues when conducting the aforesaid reviews. Throughout this process, the Board has examined reports on internal control and procedures in place submitted by various factories of the Group.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

External auditors will also report on the weakness in the Group's internal control and accounting procedure which have come to their attention during the course of audit.

Auditor's Remuneration

The Company' external auditor is HLM CPA Limited. For the year under review, the remuneration paid for services provided by the auditors is roughly as follows:

Services Rendered	**Fees Paid/Payable (HK$'000)**
Audit services	HK$1,000

During the year of 2014, there were no non-audit services provided by the auditor.

COMPANY SECRETARY

The position of Company Secretary is held by Ms. Pang Siu Yin, a practicing solicitor of Hong Kong who is not an employee of the Company. The Company Secretary can contact the Company through Mr. Poon Wai Yip, Albert, an executive Director of the Company, and Mr. Yuen Che Wai, Victor, the financial controller of the Company. The Company Secretary is responsible to the Board and reports to the Chairman from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed.

Since Ms. Pang was appointed in 1998, she has to take no less than 15 hours of relevant professional training during the year 2014. She has fulfilled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group values and strives to provide comprehensive and timely communications to its stakeholders, including its shareholders.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Voting by Poll

The Company expresses in each relevant corporate communication that the shareholders shall vote by poll so as to allow the shareholders to have one vote for every share of the Company held. The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the general meetings.

Shareholders' Rights to Convene a Special General Meeting

Further to the Companies Act 1981 of Bermuda and under Bye-Law 62 of the Bye-Laws of the Company, a special general meeting can be convened on requisition.

Shareholders' Communication Policy

Based on the requirement of revised Code, a Shareholders Communication Policy was formulated and adopted on 27 March 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders. The effectiveness of shareholders communication under the said policy had been reviewed by the Board at the board meeting held on 25 March 2014.

CORPORATE GOVERNANCE REPORT

The most recent shareholder' meeting was the AGM held on 20 May 2014 at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong to discuss and approve the following matters:

- considering and receiving the consolidated financial statements and reports for the Directors and auditors for the year ended 31 December 2013;
- declaring the final and special dividends;
- re-electing certain Directors and authorizing the Board to fix their remunerations;
- appointing the Company's external auditor and authorizing the Board to fix their remunerations;
- passing a general mandate to allow the Directors to allot and issue shares of the Company ("General Mandate");
- passing a repurchase mandate to allow the Directors to repurchase shares of the Company ("Repurchase Mandate");
- passing a general extension mandate to allow the Directors, after the grant of Repurchase Mandate, to add to the General Mandate any shares repurchased pursuant to the Repurchase Mandate (the "General Extension Mandate"); and
- refreshing the 10% scheme limit of the share option scheme of the Company which was adopted on 30 May 2012.

Constitutional Documents

There was no significant change in the Company's constitutional documents during the year.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website http://www.perfectech.com.hk.

Enquiries and proposals to be put forward at shareholder meetings can also be sent to the Board or senior management by contacting the Investment Department at (852) 3965 0088, via e-mail to info@perfectech.com.hk, or directly through the questions and answers session at shareholder meetings.

The Directors of the Company present their annual report (the "Report of the Directors") and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 44 to 45.

An interim dividend of 1.0 HK cent per share amounting to approximately HK$2,958,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.0 HK cents per share to the shareholders whose names appear on the register of members on 5 June 2015, amounting to approximately HK$5,973,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 80.13% of the total revenues of the Group and the largest customer accounted for approximately 71.22% of the total revenues of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 37.78% of the total purchases of the Group and the largest supplier accounted for approximately 9.63% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its replacement policy and expended approximately HK$11,398,000 on property, plant and equipment during the year.

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

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended from time to time), amounted to approximately HK$17,705,000 of which HK$5,973,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$92,954,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive Directors

Mr. Poon Siu Chung (Chairman and Managing Director)
Mr. Tsui Yan Lee, Benjamin (resigned on 31 January 2015)
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent non-executive Directors

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

In accordance with bye-law 99 of the Bye-laws and the Code on Corporate Governance of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at the annual general meeting at least once every three years. All retiring Directors shall be eligible for re-election.

Accordingly, Mr. Poon Wai Yip, Albert, being an executive Director, shall retire from office by rotation at the conclusion of the forthcoming annual general meeting. Being eligible, Mr. Poon Wai Yip, Albert, will offer himself for re-election at the forthcoming annual general meeting.

Moreover, pursuant to the resolutions of the Company passed on 20 May 2014, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all being independent non-executive Directors, will hold office until the conclusion of the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTOR'S SERVICE CONTRACTS

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

All independent non-executive Directors have been appointed for a term of approximately one year.

All independent non-executive Directors will hold office until the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31 December 2014, the interests of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(A) Long position in the shares of the Company

Director	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of spouse	18,554,000	–		
	Interest of controlled corporation	101,139,430	–	139,557,430 (a)	46.73
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	11,000	2,700,000 (b)	2,711,000	0.91
Dr. Poon Wai Tsun, William	Beneficial owner	200,000	–	200,000	0.07
Mr. Poon Wai Yip, Albert	Beneficial owner	200,000	–	200,000	0.07
Mr. Yip Chi Hung	Beneficial owner	300,000	–	300,000	0.10
Mr. Lam Yat Cheong	Beneficial owner	468,000	–	468,000	0.16

Notes:

(a) Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 18,554,000 shares and 101,139,430 shares held by his spouse, Ms. Lau Kwai Ngor and Mime Limited respectively. Mime Limited is a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.

(b) These interests represented interests in underlying shares in respect of share options granted by the Company to these Directors as beneficial owners, details of which are set out in the section "Share Options" of this report.

(B) Long position in the shares of the associated corporations of Company

Director	Name of associated corporation	Capacity	No. of shares held	Total	% of issued share capital of the associated corporation
Mr. Poon Siu Chung	Perfectech International Limited	Beneficial owner	200		
		Interest of spouse	200	400 (c)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600 (d)	51
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

Notes:

(c) Mr. Poon Siu Chung was the beneficial owner of 200 non-voting deferred shares ("Perfectech Shares") of HK$100 each in Perfectech International Limited, a subsidiary of the Company and was deemed to be interested in 200 Perfectech Shares through interests of his spouse, Ms. Lau Kwai Ngor.

(d) Mr. Poon Siu Chung was the beneficial owner of 60,800 non-voting deferred shares ("Sunflower Shares") of HK$1 each in Sunflower Garland Manufactory Limited, a subsidiary of the Company and was deemed to be interested in 20,800 Sunflower Shares through interests of his spouse, Ms. Lau Kwai Ngor.

Details of the Directors', or their associates', interests in the share options of the Company or any of its associated corporations are set out in the "Share Options" section of this report.

Save as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the Directors, nor their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31 December 2014.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

Details of the movements in the Company's share options during the year are as follows:

	Number of options outstanding 1.1.2014	Number of options granted during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding at 31.12.2014	Date granted	Exercise price per share HK$	Exercise period
Directors								
Poon Siu Chung	2,700,000	–	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Tsui Yan Lee, Benjamin	2,700,000	–	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Poon Wai Tsun, William	2,850,000	–	(2,850,000)	–	–	23/07/2013	0.710	24/07/2013-23/07/2023
Poon Wai Yip, Albert	2,850,000	–	(2,850,000)	–	–	23/07/2013	0.710	24/07/2013–23/07/2023
Employees	7,000,000	–	–	–	7,000,000	02/11/2007	0.850	01/12/2007–31/12/2016
	8,550,000	–	(2,850,000)	–	5,700,000	23/07/2013	0.710	24/07/2013–23/07/2023
Sub-total	26,650,000	–	(8,550,000)	–	18,100,000			
Others	1,000,000	–	–	(1,000,000)	–	02/02/2005	0.608	02/05/2005–31/12/2014
Sub-total	1,000,000	–	–	(1,000,000)	–			
Grand Total	27,650,000	–	(8,550,000)	(1,000,000)	18,100,000			

The closing prices of the Company's shares on 2 February 2005, 2 November 2007, 13 April 2011, and 23 July 2013, the dates of grant of the above options, were HK$0.600, HK$0.850, HK$0.740 and HK$0.710 respectively.

Share options were exercised on various dates during the year, the weighted average closing price of the Company's shares immediately before those dates was HK$0.9364.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

On 30 November, 2013, the Group entered into a tenancy agreement with Mr. Poon Siu Chung, a substantial shareholder and director of the Company, in relation to the premises at Nos. 34 and 35 of Xiazha Industrial Street, Jinding Town, Zhuhai, the People's Republic of China, for a monthly rent of HK$10,000 for a period of three years commencing from 1 January, 2014. The said premises are used by the Group as factories. The total rent payable by the Group for the premises for the full period of the tenancy under the aforesaid tenancy agreement will amount to HK$360,000. During the year, the Group paid rent to Mr. Poon Siu Chung totalling HK$120,000.

The independent non-executive Directors confirm that the transactions have been entered into by the Group (i) in its ordinary and usual course of business; (ii) on normal commercial terms or better to the Group than terms available to or from independent third parties and (iii) in accordance with the terms of the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 31 December 2014, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the shares capital of the Company as follows: –

Long position in the shares of the Company

Shareholder	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Beneficial owner	18,554,000	–		
	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	–	139,557,430(a)	46.73
Mime Limited	Beneficial owner	101,139,430	–	101,139,430(a)	33.86
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	21.13
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	21.13
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200(b)	21.13

Note:

(a) Under the SFO, Ms. Lau Kwai Ngor was the beneficial owner of 18,554,000 shares of the Company and was deemed to be interested in 17,164,000 shares of the Company through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 101,139,430 shares of the Company which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.

(b) Under the SFO, Mr. Leung Ying Wai, Charles and Ms. Tai Yee Foon were deemed to be interested in 63,097,200 shares of the Company, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company has adopted throughout the year ended 31 December 2014 the Corporate Governance Code and Corporate Governance Report ("Code ") set out in Appendix 14 of the Listing Rules as its own corporate governance code.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report on pages 13 to 32 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its shares whether on the Stock Exchange or otherwise.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014 and up to the date thereof.

AUDITORS

The financial statements for the year ended 31 December 2014 have been audited by the Company's auditors, Messrs. HLM CPA Limited, Certified Public Accountants. HLM CPA Limited shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of HLM CPA Limited will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 26 March 2015

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF PERFECTECH INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Perfectech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 130 which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	5 & 6	**225,549**	248,741
Cost of sales		**(169,011)**	(182,691)
Gross profit		**56,538**	66,050
Net other income	7	**1,682**	9,425
Distribution costs		**(5,880)**	(7,135)
Increase in fair value of investment properties	15	**34**	1,200
Administrative expenses		**(38,175)**	(36,511)
Finance costs	8	**(359)**	(317)
Profit before tax	9	**13,840**	32,712
Income tax expenses	11	**(3,494)**	(8,449)
Profit for the year from continuing operations		**10,346**	24,263
Discontinued operations			
Loss for the year from discontinued operations		**–**	(8,272)
Profit for the year		**10,346**	15,991
Other comprehensive expenses, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations			
Exchange difference arising during the year		**(90)**	(249)
Reclassification adjustments relating to derecognition of foreign subsidiaries during the year		**–**	(321)
		(90)	(570)
Total comprehensive income for the year		**10,256**	15,421
Profit for the year attributable to:			
Owners of the Company		**7,677**	12,512
Non-controlling interests		**2,669**	3,479
Profit for the year		**10,346**	15,991

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Total Comprehensive income for the year attributable to:			
Owners of the Company		**7,591**	11,906
Non-controlling interests		**2,665**	3,515
Total comprehensive income for the year		**10,256**	15,421
Earnings per share	13		
From continuing and discontinued operations			
Basic		**2.61 Cents**	4.48 Cents
Diluted		**2.57 Cents**	4.37 Cents
From continuing operations			
Basic		**2.61 Cents**	7.44 Cents
Diluted		**2.57 Cents**	7.27 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**66,991**	63,818
Investment properties	15	**44,700**	11,400
Deferred tax assets	25	**4,640**	4,140
Deferred rental income		**–**	5
		116,331	79,363
CURRENT ASSETS			
Inventories	16	**19,700**	26,527
Trade and other receivables	17	**27,690**	32,986
Deferred rental income		**–**	5
Amount due from a related company	34	**–**	62
Tax recoverable		**2,422**	362
Investments held-for-trading	20	**46,993**	46,675
Derivative financial instruments	19	**45**	175
Financial assets designated as at fair value through profit or loss	24	**–**	1,299
Pledged bank deposits	21	**1,895**	6,746
Bank balances and cash	18	**49,060**	86,406
		147,805	201,243
CURRENT LIABILITIES			
Trade and other payables	22	**31,289**	35,917
Derivative financial instruments	19	**4,156**	945
Tax liabilities		**1,219**	6,829
Bank borrowings	23	**30,255**	21,918
		66,919	65,609
NET CURRENT ASSETS		**80,886**	135,634
TOTAL ASSETS LESS CURRENT LIABILITIES		**197,217**	214,997
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**319**	368
NET ASSETS		**196,898**	214,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	26	**29,867**	29,012
Reserves		**152,434**	171,897
Equity attributable to owners of the Company		**182,301**	200,909
Non-controlling interests		**14,597**	13,720
TOTAL EQUITY		**196,898**	214,629

The consolidated financial statements on pages 44 to 130 were approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital HK'000	Share premium HK'000	Capital redemption reserve HK'000	Share options reserve HK'000	Translations reserve HK'000	Retained profits HK'000	Equity attributable to equity holders of the Company HK'000	Non-controlling interests HK'000	Total HK'000
At 1 January 2013	26,072	63,502	10,237	8,339	1,956	91,225	201,331	12,163	213,494
Profit for the year	–	–	–	–	–	12,512	12,512	3,479	15,991
Other comprehensive income for the year									
Exchange differences on translation of overseas operations	–	–	–	–	(285)	–	(285)	36	(249)
Reclassification adjustments relating to derecognition of subsidiaries during the year	–	–	–	–	(321)	–	(321)	–	(321)
Total comprehensive income for the year	–	–	–	–	(606)	12,512	11,906	3,515	15,421
Share issued upon exercise of options	3,040	23,775	–	(5,573)	–	–	21,242	–	21,242
Dividends (Note 12)	–	–	–	–	–	(34,781)	(34,781)	(1,958)	(36,739)
Share options granted	–	–	–	2,123	–	–	2,123	–	2,123
Repurchase and cancellation of shares	(100)	(812)	100	–	–	(100)	(912)	–	(912)
At 31 December 2013	29,012	86,465	10,337	4,889	1,350	68,856	200,909	13,720	214,629
At 1 January 2014	29,012	86,465	10,337	4,889	1,350	68,856	200,909	13,720	214,629
Profit for the year	–	–	–	–	–	7,677	7,677	2,669	10,346
Other comprehensive income for the year									
Exchange differences on translation of overseas operations	–	–	–	–	(86)	–	(86)	(4)	(90)
Total comprehensive income for the year	–	–	–	–	(86)	7,677	7,591	2,665	10,256
Share options lapsed	–	–	–	(126)	–	126	–	–	–
Share issued upon exercise of options	855	6,490	–	(1,274)	–	–	6,071	–	6,071
Dividends (Note 12)	–	–	–	–	–	(32,270)	(32,270)	(1,788)	(34,058)
At 31 December 2014	29,867	92,955	10,337	3,489	1,264	44,389	182,301	14,597	196,898

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**13,840**	25,116
Adjustments for:		
Bond interest income	**(304)**	(312)
Depreciation of property, plant and equipment	**8,187**	8,242
Dividend income from investment held-for-trading	**(1,681)**	(1,429)
Gain on disposal of property, plant and equipment	**(419)**	(2,091)
Gain on derecognition of subsidiaries	**–**	(2,786)
(Gain) loss on disposal of investments held-for-trading	**(2,451)**	945
Net change in fair value of investment properties	**(34)**	(1,200)
Interest expenses	**359**	317
Interest income	**(84)**	(58)
Net change in fair value of derivative financial instruments	**3,341**	(3,384)
Net change in fair value of investments held-for-trading	**2,764**	1,293
Net change in fair value of financial assets designated as at fair value through profit or loss	**–**	(49)
Share-based payment expenses	**–**	2,123
Written down of inventories	**–**	573
Loss on redemption of financial assets designated as at fair value through profit or loss	**47**	–
Operating cash flows before movements in working capital	**23,565**	27,300
Decrease in trade and other receivables	**5,296**	5,755
Decrease in inventories	**6,827**	12,589
Decrease in deferred rental income	**10**	5
Decrease in trade and other payables	**(4,628)**	(2,878)
Decrease in amount due from a related company	**62**	465
Cash generated from operations	**31,132**	43,236
Hong Kong Profits Tax paid, net	**(11,524)**	(5,780)
PRC Enterprise Income Tax paid, net	**(189)**	(292)
NET CASH FROM OPERATING ACTIVITIES	**19,419**	37,164
INVESTING ACTIVITIES		
Decrease in pledged bank deposits	**4,851**	1,535
Dividends received from investments held-for-trading	**1,681**	1,429
Interest received	**84**	58
Proceeds on disposal of investments held-for-trading	**36,445**	56,091
Purchase of financial assets designated as at fair value through profit or loss	**–**	(1,250)
Bond interest received	**304**	312
Proceeds on disposal of property, plant and equipment	**457**	5,524
Purchase of investments held-for-trading	**(37,076)**	(45,268)
Purchase of property, plant and equipment	**(11,398)**	(40,229)
Purchase of an investment property	**(33,266)**	–
Proceeds on redemption of financial assets designated as at fair value through profit or loss	**1,252**	–
NET CASH USED IN INVESTING ACTIVITIES	**(36,666)**	(21,798)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	**(32,270)**	(34,781)
Dividends paid to non-controlling interests	**(1,788)**	(1,958)
Interest paid	**(359)**	(317)
New bank borrowings and trust receipt loans raised	**43,933**	72,773
Payment for repurchase of shares	**–**	(912)
Proceeds received upon share options exercised	**6,071**	21,242
Repayment of bank borrowings and trust receipt loans	**(35,596)**	(60,076)
NET CASH USED IN FINANCING ACTIVITIES	**(20,009)**	(4,029)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(37,256)**	11,337
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**86,406**	75,318
Effect of changes in foreign exchange rates	**(90)**	(249)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**49,060**	86,406
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**49,060**	86,406

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business is Units C&D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong.

The principal activities of the Group are the manufacture and sale of novelties, decorations and toys products.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs')

New and revised HKFRSs applied with no material effects on the financial statements

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)–Int 21	Levies

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs applied with no material effects on the financial statements *(Cont'd)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs applied with no material effects on the financial statements *(Cont'd)*

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

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

4 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group as the Group is not a first-time adopter of HKFRSs.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

HKFRS 9 Financial Instruments (Cont'd)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

HKFRS 9 Financial Instruments (Cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to HKAS use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces 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 the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Amendments to HKAS 27 Equity Method in Separate Financial Statements (Cont'd)

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure shortterm receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Annual Improvements to HKFRSs 2010-2012 Cycle (Cont'd)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs') *(Cont'd)*

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that exited at the acquisition date that, if know, have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rental income

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of tangible and intangible assets other than goodwill *(Cont'd)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing *(Cont'd)*

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their indeed use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

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 'profit 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of the 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

Financial instruments

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

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Financial assets at FVTPL (Cont'd)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 35.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

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

Impairment of financial assets

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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 instrument

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 Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 35.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

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.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

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

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition (Cont'd)

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.

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 amounts 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 benefit 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.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payment arrangements *(Cont'd)*

Share-based payment transactions of the Company (Cont'd)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with HKFRS 2 Share-based Payment ('market-based measure') at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with HKFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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 the key management personnel of the Group and the Group's parent.

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

(i) the entities and the Group are the member 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 other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(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 the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

4. 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

Depreciation

The Group's net book value of property, plant and equipment as at 31 December 2014 was approximately HK$66,991,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate 3% to 30% per annum, commencing from the date the assets is placed into productive use. The estimated useful life that the Group places the assets into productive use reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts based on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required.

Recoverability of Deferred Tax Assets

As at 31 December 2014, a deferred tax asset of HK$4,321,000 in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The recoverability of deferred tax assets requires the Group to estimate the probability of taxable profits expected to arise from future operations. At the end of each reporting period, management evaluates the recoverability of deferred tax assets by way of profit forecast when necessary.

Impairment on inventories

The management of the Group reviews an aging analysis at each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides impairment on obsolete items.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year from continuing operations.

	2014 **HK$'000**	2013 HK$'000
Novelties and decorations products	**57,077**	66,216
Toys products	**168,472**	182,525
	225,549	248,741

6. SEGMENTS REPORTING

For management purposes, the Group is currently organised into two operating segments, namely the manufacture and sale of novelties and decorations products and the manufacture and sale of toy products.

Manufacture and sale of packaging products was discontinued in 2013. The segment information reported on the next pages does not include any amounts for these discontinued operations.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

2014

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
REVENUE			
External sales	57,077	168,472	225,549
Inter-segment sales	–	–	–
Total revenue of continuing operations	57,077	168,472	225,549
RESULT			
Segment result	(5,387)	22,113	16,726
Loss from investments			(1,700)
Increase in fair value of investment properties			34
Unallocated corporate expenses			(861)
Finance costs			(359)
Profit before tax			13,840
Income tax expenses			(3,494)
Profit for the year			10,346

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	39,399	83,598	122,997
Unallocated corporate assets			141,139
Consolidated total assets			264,136
LIABILITIES			
Segment liabilities	19,268	21,703	40,971
Unallocated corporate liabilities			26,267
Consolidated total liabilities			67,238

	Novelties and decorations products HK$'000	Toy products HK$'000	Others HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	503	10,895	–	11,398
Depreciation and amortisation	1,430	5,207	1,550	8,187
Interest Income	16	15	53	84

6. SEGMENTS REPORTING *(Cont'd)*

2013

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
REVENUE			
External sales	66,216	182,525	248,741
Inter-segment sales	–	–	–
Total revenue of continuing operations	66,216	182,525	248,741
RESULT			
Segment result	2,062	29,897	31,959
Profit from investments			2,888
Increase in fair value of an investment property			1,200
Unallocated corporate expenses			(3,018)
Finance costs			(317)
Profit before tax			32,712
Income tax expenses			(8,449)
Profit for the year			24,263

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	56,806	102,165	158,971
Unallocated corporate assets			104,532
Assets relating to packaging products			17,103
Consolidated total assets			280,606
LIABILITIES			
Segment liabilities	13,931	29,594	43,525
Unallocated corporate liabilities			20,755
Liabilities relating to packaging products			1,697
Consolidated total liabilities			65,977

	Novelties and decorations products HK$'000	Toy products HK$'000	Others HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	1,206	7,363	31,660	40,229
Depreciation and amortisation	1,578	4,784	489	6,851
Interest Income	20	16	2	38

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENTS REPORTING *(Cont'd)*

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

- all assets are allocated to operating segments other than held-for-trading investments, other financial assets, investment property, land and building held for own use and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than deferred tax liabilities, other financial liabilities and borrowings. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical Information

The Group's revenue from continuing operations from external customers by location of operations are detailed below:

	2014	2013
	HK$'000	HK$'000
Sales revenue by geographical market:		
Hong Kong	**15,929**	10,841
Europe	**53,410**	85,560
America	**57,112**	53,649
Asia (other than Hong Kong)	**95,544**	96,777
Others	**3,554**	1,914
	225,549	248,741

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**185,029**	188,644	**1,033**	32,311
The People's Republic of China (the "PRC")	**79,107**	91,962	**10,356**	7,918
	264,136	280,606	**11,389**	40,229

6. SEGMENTS REPORTING *(Cont'd)*

Information about major customer

Included in revenues arising from sales of toy products of approximately HK$168,472,000 (2013: HK$182,525,000) are revenues of approximately HK$160,632,000 (2013: HK$173,097,000) which arose from sales to the Group's largest customer.

7. NET OTHER INCOME

	2014 HK$'000	2013 HK$'000
Continuing operations		
Bad debt recovered	–	51
Bond interest income	304	312
Dividend incomes on investments held-for-trading	1,681	1,429
Gain on disposal of property, plant and equipment	419	121
Gain on derecognition of subsidiaries	–	2,786
Interest income	84	38
Loss on redemption of financial assets designated as at fair value through profit or loss	(47)	–
Net change in fair value of investments held-for-trading	(2,764)	(1,293)
Net change in fair value of derivative financial instruments	(3,341)	3,384
Net change in fair value of financial assets designated as at fair value through profit or loss	–	49
Rental income	131	366
Realised gain (loss) on disposal of investments held-for-trading	2,451	(945)
Scrap sales	1,441	812
Others	1,323	2,315
	1,682	9,425

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**119**	216
Bank borrowings not wholly repayable within five years	**240**	101
	359	317

9. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Continuing operations		
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**1,000**	885
Bad debt recovered	**–**	51
Cost of inventories recognised as an expense	**60,776**	75,190
Depreciation of property, plant and equipment	**8,187**	6,851
Foreign exchange losses, net	**2,855**	3,266
Operating lease rentals in respect of rented premises	**6,161**	5,865
Gross rental income from investment properties	**(131)**	(178)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	**25**	33
Direct operating expenses incurred for investment properties that did not generate rental income during the year	**8**	–
	(98)	(145)
Share-based payment expenses	**–**	2,123
Staff costs (including Directors' emoluments)	**88,339**	85,133

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven Directors in 2014 were as follows:

Emoluments	Fees HK$'000	Other emoluments: Salaries and other benefits HK$'000	Other emoluments: Retirement benefit scheme contributions HK$'000	Total HK$'000
Poon Siu Chung	–	1,750	46	1,796
Tsui Yan Lee, Benjamin	–	1,010	30	1,040
Poon Wai Tsun, William	–	844	17	861
Poon Wai Yip, Albert	–	820	17	837
Choy Wing Keung, David	50	–	–	50
Lam Yat Cheong	50	–	–	50
Yip Chi Hung	50	–	–	50
Total for 2014	150	4,424	110	4,684

The emoluments paid or payable to each of the seven Directors in 2013 were as follows:

Emoluments	Fees HK$'000	Other emoluments: Salaries and other benefits HK$'000	Other emoluments: Retirement benefit scheme contributions HK$'000	Total HK$'000
Poon Siu Chung	–	2,007	40	2,047
Tsui Yan Lee, Benjamin	–	1,080	30	1,110
Poon Wai Tsun, William	–	1,304	15	1,319
Poon Wai Yip, Albert	–	1,280	15	1,295
Choy Wing Keung, David	50	–	–	50
Lam Yat Cheong	50	–	–	50
Yip Chi Hung	50	–	–	50
Total for 2013	150	5,671	100	5,921

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2013: four) were Directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2013: one) individuals were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**2,095**	823
Retirement benefit schemes contributions	**34**	1
	2,129	824

Their emoluments were within the following bands:

	2014	2013
	Number of employees	Number of employees
Nil – HK$1,000,000	**1**	1
HK$1,000,001- HK$1,500,000	**1**	–
	2	1

11. INCOME TAX EXPENSES

	2014 HK$'000	2013 HK$'000
Relating to continuing operations		
Current tax:		
Hong Kong Profits Tax	**4,235**	6,750
PRC Enterprise Income Tax	**163**	46
	4,398	6,796
(Over) under provision in prior years:		
Hong Kong Profits Tax	**(440)**	2,226
PRC Enterprise Income Tax	**85**	–
	(355)	2,226
Deferred tax (note 25)		
Current year	**(549)**	(573)
Total income tax expenses recognised in profit or loss	**3,494**	8,449

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. INCOME TAX EXPENSES *(Cont'd)*

The tax charge for the year can be reconciled to the profit before tax as follows:

	2014	2013
	HK$'000	HK$'000
Profit before tax	**13,840**	32,712
Tax at Hong Kong Profits Tax rate of 16.5%	**2,284**	5,397
Tax effect of income not taxable for tax purposes	**(1,614)**	(1,858)
Tax effect of expenses not deductible for tax purposes	**2,658**	3,781
Tax effect on temporary differences not recognised	**41**	(136)
Tax effect on tax losses not recognised	**577**	(62)
Utilisation of tax losses not previously recognised	**(17)**	(15)
(Over) under provision in prior year	**(355)**	2,226
Effect of different tax rates of group entities operating in the PRC	**(80)**	(884)
Tax charge for the year	**3,494**	8,449

12. DIVIDENDS

	2014	2013
	HK$'000	HK$'000
Interim, paid – 1.0 HK cent (2013: 1.0 HK cent) per share	**2,958**	2,901
Final and special, paid – 10.0 HK cents per share for 2013 (2013: 11.0 HK cents per share for 2012)	**29,312**	31,880
	32,270	34,781

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of 2.0 HK cents (2013: 3.0 HK cents) per share have been proposed by the Directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the net profit for the year of approximately HK$7,677,000 (2013: profit of HK$12,512,000) and the following data:

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**294,479,716**	279,202,368
Effect of dilutive potential ordinary shares on share options	**4,817,298**	6,816,212
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**299,297,014**	286,018,580

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2014 **HK$'000**	2013 HK$'000
Profit for the year attributable to owners of the Company	**7,677**	12,512
Add: Loss for the year from discontinued operations	**–**	8,272
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**7,677**	20,784

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Factory premises HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2013	–	38,345	32,827	200,063	5,328	276,563
Additions	31,660	–	1,613	6,356	600	40,229
Disposals	–	–	(194)	(41,443)	(828)	(42,465)
Exchange alignment	–	–	–	–	–	–
At 31 December 2013 and 1 January 2014	31,660	38,345	34,246	164,976	5,100	274,327
Additions	976	–	1,725	8,163	534	11,398
Disposals	–	–	(9,037)	(50,656)	(1,470)	(61,163)
Exchange alignment	–	–	–	–	–	–
At 31 December 2014	32,636	38,345	26,934	122,483	4,164	224,562
DEPRECIATION AND AMORTISATION						
At 1 January 2013	–	33,979	27,866	175,138	4,316	241,299
Provided for the year	475	1,529	757	5,132	349	8,242
Eliminated upon disposal	–	–	(192)	(38,022)	(818)	(39,032)
Exchange alignment	–	–	–	–	–	–
At 31 December 2013 and 1 January 2014	475	35,508	28,431	142,248	3,847	210,509
Provided for the year	1,145	1,051	1,099	4,539	353	8,187
Eliminated upon disposal	–	–	(9,031)	(50,661)	(1,433)	(61,125)
Exchange alignment	–	–	–	–	–	–
At 31 December 2014	1,620	36,559	20,499	96,126	2,767	157,571
CARRYING VALUES						
At 31 December 2014	31,016	1,786	6,435	26,357	1,397	66,991
At 31 December 2013	31,185	2,837	5,815	22,728	1,253	63,818

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

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

Leasehold land and buildings	3-5%
Factory premises	5-20%
Furniture, fixtures and office equipment	15-20%
Plant, machinery and moulds	10-20%
Motor vehicles	25-30%

The Group has not obtained Certificate for Housing Ownership in respect of the Group's factory premises with carrying value of approximately HK$1,786,000 (2013: HK$2,837,000) at 31 December 2014.

15. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	HK$'000
At fair value		
Balance at the beginning of the year	**11,400**	10,200
Additions	**33,266**	–
Gain on revaluation	**34**	1,200
Balance at the end of the year	**44,700**	11,400

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment properties at 31 December 2014 have been arrived at on the basis of a valuation carried out at that date by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group. Peak Vision Appraisals Limited is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in relevant locations.

The fair value was determined based on Direct Comparison Approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. In estimating the fair value of the property, the highest and best use of the property is its current use.

There has been no change from the valuation technique used in the prior year.

One of the key inputs used in valuing the investment properties was the unit sale rate taking into account of time, location and individual factors such as size and levels of building, which range from approximately HK$5,800 to HK$6,000 per square foot. A decrease in the unit sale rate would result in decrease in fair value of the investment properties by the same percentage and vice versa.

15. INVESTMENT PROPERTIES *(Cont'd)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Commercial property units located in Hong Kong	–	–	44,700	44,700

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties shown above comprise:

	2014 HK$'000	2013 HK$'000
Land in Hong Kong:		
Medium-term lease	44,700	11,400

16. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	9,586	14,613
Work in progress	2,057	2,496
Finished goods	8,057	9,418
	19,700	26,527

Inventories of HK$Nil (2013: HK$Nil) are expected to be recovered after more than twelve months.

17. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**28,706**	29,990
Less: allowance for doubtful debts	**(7,144)**	(7,144)
	21,562	22,846
Prepayment and other receivables	**6,128**	10,140
	27,690	32,986

The Group allows an average credit period of 60 days to its trade customers.

The following is an aging analysis of the Group's trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 – 60 days	**18,786**	20,279
61 – 90 days	**2,068**	1,453
91 – 120 days	**444**	53
Over 120 days	**264**	1,061
	21,562	22,846

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

17. TRADE AND OTHER RECEIVABLES *(Cont'd)*

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Overdue by:		
0 – 60 days	**4,489**	3,759
61 – 90 days	**2,068**	15
91 – 120 days	**707**	–
Over 120 days	**1**	214
	7,265	3,988

The following is the movement in the allowance for doubtful debts:

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**7,144**	17,956
Allowance for doubtful debts during the year	**–**	–
Amounts recovered during the year	**–**	(71)
Amounts written off during the year	**–**	(10,741)
Balance at the end of the year	**7,144**	7,144

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The fair value of the Group's trade and other receivables at 31 December 2014 approximate to the corresponding carrying amount.

17. TRADE AND OTHER RECEIVABLES *(Cont'd)*

The following is an aging analysis of the Group's impaired trade receivables:

	2014	2013
	HK$'000	HK$'000
Overdue by:		
0 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 120 days	**–**	–
Over 120 days	**7,144**	7,144
	7,144	7,144

18. BANK BALANCE AND CASH

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 0.01% p.a. (2013: 0.001% to 0.01% p.a.) with an original maturity of three months or less. The fair value of these assets at 31 December 2014 approximates to the corresponding carrying amounts.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	HK$'000	HK$'000
Financial assets		
Equity accumulators	**–**	101
Equity decumulators	**45**	74
	45	175
Financial liabilities		
Equity accumulators	**(2,192)**	(229)
Equity decumulators	**(1,964)**	(716)
	(4,156)	(945)

19. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

	2014 HK$'000	2013 HK$'000
Financial assets		
Balance at the beginning of the year	**175**	354
Changes in fair value of derivative financial instruments	**(130)**	(179)
Balance at the end of the year	**45**	175
Financial liabilities		
Balance at the beginning of the year	**(945)**	(4,508)
Changes in fair value of derivative financial instruments	**(3,211)**	3,563
Balance at the end of the year	**(4,156)**	(945)

The derivatives are measured at fair value at each reporting date. Fair value is determined in the manner as described in note 35.

At 31 December 2014, the major terms of the listed equity accumulators/decumulators contracts are as follows:

Nominal amount	Underlying Securities	Nature	Maturity	prices
HK$ 4,652,887	CNOOC Limited	Accumulator	20 August 2015	HK$13.36
HK$ 6,930,128	China Petroleum & Chemical Corporation	Accumulator	27 August 2015	HK$7.01
HK$ 4,732,336	China Petroleum & Chemical Corporation	Accumulator	15 September 2015	HK$6.58
HK$ 6,550,176	PetroChina Company Limited	Accumulator	8 October 2015	HK$8.80
HK$ 4,678,917	CNOOC Limited	Accumulator	16 October 2015	HK$10.54
HK$ 5,207,748	Agricultural Bank of China Limited	Decumulator	25 June 2015	HK$3.77
HK$ 2,363,173	Agricultural Bank of China Limited	Decumulator	2 July 2015	HK$3.83
HK$ 5,080,790	China Construction Bank Corporation	Decumulator	3 July 2015	HK$6.05
HK$ 5,217,035	China Life Insurance Company Limited	Decumulator	27 July 2015	HK$24.56
HK$ 5,104,430	Agricultural Bank of China Limited	Decumulator	15 September 2015	HK$3.91
HK$ 5,200,664	China Life Insurance Company Limited	Decumulator	3 November 2015	HK$25.74
HK$ 6,323,551	PetroChina Company Limited	Decumulator	22 December 2015	HK$9.85

The analysis of the net cash flow derived from decumulator contracts and accumulator contracts is presented in the section headed "Liquidity risk management" of note 35 to the consolidated financial statements.

Commitments arising from derivative financial instruments as at 31 December 2014 are disclosed in note 30.

20. INVESTMENTS HELD-FOR-TRADING

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong	**43,863**	31,559
Debt securities listed overseas	**3,130**	6,959
Unlisted mutual funds	**–**	8,157
	46,993	46,675

The movements of investments held-for-trading during the year:

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**46,675**	59,736
Additions	**37,076**	45,268
Disposals	**(33,994)**	(57,036)
Change in fair values of investments held-for-trading	**(2,764)**	(1,293)
Balance at the end of the year	**46,993**	46,675

Except for the unlisted mutual funds, the fair values of the investments held-for-trading are determined based on the market closing prices available on the relevant exchanges at 31 December 2014. The fair value of the unlisted mutual funds are determined based on the closing prices available on the publicly published website.

21. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure margin loan facilities granted to the Group and are therefore classified as current assets.

The deposits carry variable interest rate ranging from 0.001% to 0.91% p.a. (2013: 0.001% to 1.9448% p.a.). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2014 approximates to the corresponding carrying amount.

22. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables, presented based on the invoice date at the end of reporting period:

	2014 HK$'000	2013 HK$'000
Trade payables		
0 – 60 days	**6,700**	7,593
61 – 90 days	**3,251**	6,209
91 – 120 days	**1,153**	2,675
Over 120 days	**691**	1,172
	11,795	17,649
Other payables		
Accrued salary, bonus and commission	**6,910**	8,003
Deposits received from customers	**5,214**	4,582
Amount due on share trading account	**4,225**	2,935
Accrued expenses and others	**3,145**	2,748
	19,494	18,268
	31,289	35,917

The average credit period on purchases of certain goods is 45 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The fair value of the Group's trade and other payables at 31 December 2014 approximate to the corresponding carrying amount.

23. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured bank loans (Note 1)	**29,055**	10,581
Unsecured bank loans classified as current liabilities (Note 2)	**1,200**	11,337
	30,255	21,918

23. BANK BORROWINGS *(Cont'd)*

Notes:

(1) Secured by the Group's leasehold land and buildings and investment properties bearing interest from HIBOR + 1.75% to HIBOR +2.25% p.a. (2013: HIBOR +2% p.a.). The weighted average effective interest rate on the secured bank loans is from 1.96% to 2.46% p.a. (2013: 2.22% p.a.).

(2) The unsecured bank loans were secured by corporate cross guarantee given by the Group. The unsecured bank loans carry variable interest rates ranging from 1.71% to 2.46% p.a. (2013: 0.60% to 2.32% p.a.).

The carrying amounts repayable extracted from agreed repayment schedules from financial institutions are as follows:

	2014	2013
	HK$'000	HK$'000
On demand or within one year	**13,649**	11,646
More than one year, but not exceeding two years (Note)	**3,018**	2,743
More than two year, but not exceeding five years (Note)	**9,498**	4,841
More than five years (Note)	**4,090**	2,688
	30,255	21,918

During the year, the Group obtained a new mortgage loan of HK$10,600,000 (2013: HK$11,200,000) to finance the acquisition of property.

Note: These bank loans that are not repayable within one year from the end of the reporting period but as these term loans include a clause that gives the lender the unconditional right to call the loans at any time, and according to HK Int 5 which requires the classification of the whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities.

24. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group acquired a currency linked note with financial institutions in Hong Kong in 2013. The currency linked note has a contract period of 12 months and carried interest at a maximum of 5.15% per annum which was determined with reference to the exchange rate of Renminbi (RMB) against US Dollar (USD). The note was designated as fair value through profit or loss at initial recognition. The Group redeemed this currency linked note at its maturity date on 16 April 2014 and generated a loss of HK$47,000 on redemption.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2013	(135)	(3,695)	(3,830)
(Credit) charge to income for the year	(327)	385	58
At 31 December 2013 and 1 January 2014	(462)	(3,310)	(3,772)
Charge (credit) to income for the year	87	(636)	(549)
At 31 December 2014	(375)	(3,946)	(4,321)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and its is probable that the temporary differences will not reverse in the foreseeable future.

With regard to the Group's investment properties, as none of the Group's investment properties is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

25. DEFERRED TAXATION *(Cont'd)*

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax liabilities	**319**	368
Deferred tax assets	**(4,640)**	(4,140)
	(4,321)	(3,772)

At the end of reporting period, the Group has unused tax losses of approximately HK$113,147,000 (2013: HK$105,573,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$23,912,000 (2013: HK$20,061,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$89,235,000 (2013: HK$85,512,000) due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
700,000,000 Ordinary shares of HK$0.10 each				
Balance at the beginning of the year	**70,000**	70,000	**29,012**	26,072
Exercise of share options	**–**	–	**855**	3,040
Share repurchased and cancelled (Note)	**–**	–	**–**	(100)
Balance at the end of the year	**70,000**	70,000	**29,867**	29,012

Note: None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

27. PLEDGE OF ASSETS

The following assets have been pledged to secure the margin loan facilities granted to the Group:

(i) Investments held-for-trading with an aggregate carrying value of approximately HK$46,993,000 (2013: HK$46,675,000); and

(ii) Bank deposits of approximately HK$1,895,000 (2013: HK$5,271,000).

At 31 December 2014, the Group had not utilised any margin loan facilities from bank (2013: HK$Nil).

In addition, the Group has also pledged the following assets to secure bank loans granted to the Group:

(i) Leasehold land and buildings with carrying amount of approximately HK$31,016,000 (2013: HK$31,185,000); and

(ii) Investment properties with carrying amount of approximately HK$44,700,000 (2013: HK$Nil).

28. OPERATING LEASES

The Group as lessee

	2014 HK$'000	2013 HK$'000
Lease payments made under operating leases during the year		
Rented premises	**5,780**	5,132

At 31 December 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**5,215**	2,952
In the second to fifth years inclusive	**7,439**	7,316
Over five years	**34,508**	36,086
	47,162	46,354

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises, with lease terms of between 1 to 30 years.

The Group as lessor

Property rental income earned during the year was HK$131,000 (2013: HK$178,000). The investment property is held for rental purposes. It is expected to generate rental yields of 1.6% p.a. (2013: 1.6% p.a.) on an ongoing basis. The investment properties were vacant at the end of reporting period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK$'000	2013 HK$'000
Within one year	**–**	178
In the second to fifth years inclusive	**–**	176
	–	354

29. CAPITAL COMMITMENTS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Capital commitments in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	**1,663**	335
Authorised for but not contracted for	**–**	454

30. OTHER COMMITMENTS

At 31 December 2014, the Group carried outstanding forward contracts which entailed a total commitment for sale and purchase of equity shares of notional amount of approximately HK$24,626,000 and HK$20,493,000 respectively (2013: HK$32,990,000 and HK$22,840,000) as disclosed in notes 19 and 35.

31. CONTINGENT LIABILITIES

(a) Contingent liability in respect of legal claim

A subsidiary of the Group (the "Subsidiary") has served a writ and claimed against three former employees of the Subsidiary (the "Defendants"). The claim related to the misconduct of the Defendants during their employment with the Subsidiary. The Defendants had filed a defence and counterclaim against the Subsidiary for wages and other payments allegedly payable upon their termination of employment with the Subsidiary amounting to approximately HK$419,000 together with interest and costs. The Directors of the Company take the views that the amount of the subsidiary's claims against the Defendants well exceeded the Defendants' claims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

(b) Financial guarantees issued

At the end of reporting period, the Company has issued the following guarantees:

(i) A corporate guarantee to banks in respect of banking facilities granted to its subsidiaries.

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its Subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the Subsidiaries that are parties to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

31. CONTINGENT LIABILITIES *(Cont'd)*

(b) Financial guarantees issued *(Cont'd)*

(ii) An unlimited guarantee granted to a subsidiary in relation to a mortgage loan (see note 23)

As at 31 December 2014, the Directors did not consider it probable that a claim could be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the Subsidiaries is remote.

The Company had not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was HK$Nil.

32. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "Scheme") was adopted in the annual general meeting held on 30 May 2012 and expired on 29 May 2022. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of Directors may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options, to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK$1 for each lot of share options granted.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the Scheme. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholders.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Options may be exercised during the period as the Directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the options and the board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Total consideration received during the year from the Directors and employees for taking up the options granted during the year is HK$Nil (2013: HK$5).

32. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

All options were vested on the date of grant.

The exercise price is determined by the board of Directors of the Company and will be at least the highest of the followings:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

At the reporting date, the number of shares in respect of which options had been granted and remained outstanding under all the share option schemes was 18,100,000, representing approximately 6.06% of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

	Option type	At 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2013 & 1.1.2014	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2014
Directors	B	600,000	–	(600,000)	–	–	–	–	–	–
	C	11,700,000	–	(6,300,000)	–	5,400,000	–	–	–	5,400,000
	E	6,900,000	–	(6,900,000)	–	–	–	–	–	–
	F	–	5,700,000	–	–	5,700,000	–	(5,700,000)	–	–
		19,200,000	5,700,000	(13,800,000)	–	11,100,000	–	(5,700,000)	–	5,400,000
Employees	B	7,000,000	–	–	–	7,000,000	–	–	–	7,000,000
	C	11,598,000	–	(11,598,000)	–	–	–	–	–	–
	E	5,000,000	–	(5,000,000)	–	–	–	–	–	–
	F	–	8,550,000	–	–	8,550,000	–	(2,850,000)	–	5,700,000
		23,598,000	8,550,000	(16,598,000)	–	15,550,000	–	(2,850,000)	–	12,700,000
Others	A	1,000,000	–	–	–	1,000,000	–	–	(1,000,000)	–
		1,000,000	–	–	–	1,000,000	–	–	(1,000,000)	–
Total		43,798,000	14,250,000	(30,398,000)	–	27,650,000	–	(8,550,000)	(1,000,000)	18,100,000

32. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	2 February 2005	2 May 2005 to 31 December 2014	0.608
B	2 November 2007	1 December 2007 to 31 December 2016	0.850
C	13 April 2011	1 May 2011 to 31 December 2020	0.740
D	28 April 2011	1 May 2011 to 31 December 2020	0.770
E	15 June 2012	15 June 2012 to 15 June 2022	0.600
F	23 July 2013	24 July 2013 to 23 July 2023	0.710

The closing price of the Company's shares on 2 February 2005, 2 November 2007, 13 April 2011, 28 April 2011, 15 June 2012 and 23 July 2013, being the dates of grant of the respective options, were HK$0.600, HK$0.850, HK$0.740, HK$0.770, HK$0.590 and HK$0.710 respectively.

33. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme are required to switch to the MPF Scheme and all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The ORSO Scheme is funded by monthly contributions from both employees and the Group at the rate of 5% the employee's basic salary.

Employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

At the end of reporting period, there was no forfeited contribution, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The total cost recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$450,000 (2013: HK$450,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

34. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties who are not members of the Group:

	2014 HK$'000	2013 HK$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	120	240

	2014 HK$'000	2013 HK$'000
Sales to:		
Onwell Headtrade Limited (Note a)	146	1,323
Amounts due from:		
Onwell Headtrade Limited (Note a)	–	62

Note a: The shareholder of the above related company is the factory manager of a subsidiary of the Group.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2014 HK$'000	2013 HK$'000
Short-term benefits	5,402	5,790
Post-employment benefits	143	129
Share-based payments	–	849
	5,545	6,768

The remuneration of Directors and key executives is determined by the Board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently has a foreign currency hedging policy and the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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

	Assets 2014 HK$'000	**Liabilities 2014 HK$'000**	Assets 2013 HK$'000	Liabilities 2013 HK$'000
Renminbi ("RMB")	**24,086**	**20,344**	23,269	24,063

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the profit for the year is as follows:

	Impact of RMB 2014 HK$'000	Impact of RMB 2013 HK$'000
Increase/decrease in profit for the year	**187**	40

Besides, at the end of the reporting period, the Group has bank balances of approximately US$2,164,000, the sensitivity analysis of fluctuation in USD exchange rate is insignificant as the Hong Kong dollars banknotes are fully backed by US dollars held by Exchange Fund at the rate of HK$7.8 to US$1.0.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk management

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. The majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

The maturity profiles of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarised below:

2014

	Within 1 year HK$'000	**1-5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**11,795**	**–**	**–**	**11,795**
Accruals and other payables	**19,494**	**–**	**–**	**19,494**
Derivative financial instruments	**4,156**	**–**	**–**	**4,156**
Bank borrowings	**13,649**	**12,516**	**4,090**	**30,255**
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,663**	**–**	**–**	**1,663**
	50,757	**12,516**	**4,090**	**67,363**

2013

	Within 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	17,649	–	–	17,649
Accruals and other payables	18,268	–	–	18,268
Derivative financial instruments	945	–	–	945
Bank borrowings	11,646	7,584	2,688	21,918
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	335	–	–	335
	48,843	7,584	2,688	59,115

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

The following table details the Group's liquidity analysis for its derivative instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows from derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows from those derivatives that require gross settlement.

	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000
2014				
Derivatives – net settlement				
Decumulator contracts – inflow	**2,749**	**5,507**	**16,370**	**24,626**
Accumulator contracts –outflow	**(2,215)**	**(4,478)**	**(13,800)**	**(20,493)**
	534	**1,029**	**2,570**	**4,133**
2013				
Derivatives – net settlement				
Decumulator contracts – inflow	3,010	7,892	22,088	32,990
Accumulator contracts –outflow	(3,269)	(5,670)	(13,901)	(22,840)
	(259)	2,222	8,187	10,150

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings which are not significant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the group's credit risk is significant reduced.

Price risk management

The Group's investments is mainly in equity securities listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 5% in the current year as a result of the volatile financial market.

If listed equity prices had been 5% higher/lower (2013: 5% higher/lower), profit for the year ended 31 December 2014 would increase/decrease by HK$2,350,000 (2013: HK$2,334,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair values

As at 31 December 2014, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Directors consider that financial assets at fair value through profit or loss are included in the statement of financial position at amounts approximating to their fair values.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2014 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (Highest level): fair values measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2014

	Fair values as at 31 December 2014 HK$'000	**Fair value hierarchy**	**Valuation techniques and key Inputs**
Assets			
Investments held-for-trading			
– Listed equity securities	43,863	Level 1	Quoted bid prices in an active market.
– Debt securities listed overseas	3,130	Level 1	Quoted bid prices in an active market.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

2014

	Fair value as at 31 December 2014 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Assets				
Derivative financial assets	45	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of the underlying securities, ranging from 24.59% to 41.92% An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.
Liabilities				
Derivative financial assets	4,156	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of the underlying securities, ranging from 24.47% to 41.92% An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.

There were no transfers between Levels 1, 2 and 3 in the current year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

2013

	Fair value as at 31 December 2013 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Assets			
Investments held-for-trading			
–Listed equity securities	31,559	Level 1	Quoted bid prices in an active market.
–Debt securities listed overseas	6,959	Level 1	Quoted bid prices in an active market.
–Unlisted mutual funds	8,157	Level 1	Observed from publicly published information.
Financial assets designated as at fair value through profit or loss			
–Currency linked note	1,299	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

2013

	Fair values as at 31 December 2013 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Assets				
Derivative financial assets	175	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of the underlying securities, ranging from 21.5% to 28.8% An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.
Liabilities				
Derivative financial liabilities	945	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of the underlying securities, ranging from 21.5% to 28.8% An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.

There were no transfers between Levels 1, 2 and 3 in 2013.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital risk management

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

During 2014, the Group's strategy remained unchanged as compared to that in 2013. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as total borrowings divided by equity attributable to owners of the Company.

The management considers the gearing ratio at the year end was as follows:

	2014	2013
	HK$'000	HK$'000
Borrowings	**30,255**	21,918
Equity attributable to owners of the Company	**182,301**	200,909
Gearing ratio	**17%**	11%

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company		Paid up ordinary share capital	Principal activities
		Directly	Indirectly		
Asia Rich (Far East) Limited	Hong Kong	–	79.6%	HK$2	Investment holding
Benefit International Packing Materials Limited	Hong Kong	–	100%	HK$10,000	Trading of PVC films
Benefit Packing Materials Limited	Hong Kong	–	75%	HK$1,000,000	Trading of PVC films
Beyond Growth International Limited	Hong Kong	–	79.6%	HK$100,000	Manufacture and sales of toys
Dream Creation Limited	Hong Kong	–	79.6%	HK$2	Investment holding and distribution of toys
Fareastern Trade Limited	British Virgin Islands ("BVI")	–	88%	US$87,618	Investment holding
Freshwater Trading Limited	BVI	–	100%	US$1	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Golden Enterprise Holdings Limited	Hong Kong	–	100%	HK$2	Distribution of toys
Headfit Paper Bags Trading Limited	Hong Kong	–	100%	HK$10,000	Securities investments and trading of paper bags
iTech Limited	Hong Kong	–	100%	HK$2	Investment holding
Leader Packaging Company Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Leader Stationery & Gifts Manufacturing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture and sales of stationery products
Link Faith Company Limited	Hong Kong	–	100%	HK$100,000	Securities investments
Mars Technology Limited	BVI	–	79.6%	US$10,000	Investment holding
New Genius Technology Limited	BVI	–	100%	US$1	Investment holding
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK$320,000	Manufacture of novelties, festival decorations products
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	BVI	–	100%	US$1	Investment holding
Perfectech International (B.V.I.) Limited	BVI	100%	–	US$50	Investment holding
Perfectech International Toys Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Perfectech International Limited	Hong Kong	–	100%	HK$200 HK$80,000 (non-voting deferred shares)	Investment holding
Perfectech International Manufacturing Limited	BVI	–	100%	US$2,457,000	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company		Paid up ordinary share capital	Principal activities
		Directly	Indirectly		
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK$450,000	Manufacture of packaging products
Perfectech International Trading Limited	Hong Kong	–	100%	HK$2	Trading of novelties and festival decorations
Perfectech Paper Products Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of paper products
Perfectech Plastic Limited	Hong Kong	–	100%	HK$1,000,000	Trading of plastic materials
Perfectech Printing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of printing products
Perfectech Rigid (PVC) Pipe Manufacturing Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Shouji Mould Engineering Company Limited	Hong Kong	–	88%	HK$2	Distribution of mould
Shouji Tooling Factory Limited	Hong Kong	–	88%	HK$1,000	Manufacture and sales of moulds
Skyrocket Assets Limited	BVI	–	100%	US$1	Investment holding
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK$2 HK$160,000 (non-voting deferred shares)	Securities investment
Yu-Me (H.K.) Limited	Hong Kong	–	100%	HK$2	Provision of management services
中山市威嘉紙品有限公司	The PRC	–	100%	HK$12,500,000	Manufacture of paper products
東青林模具塑膠（深圳）有限公司	The PRC	–	88%	HK$42,004,200	Manufacture and sales of moulds
珠海市多發塑膠制品有限公司	The PRC	–	100%	HK$500,000	Manufacture and trading of novelties and festival decorations products

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company		Paid up ordinary share capital	Principal activities
		Directly	Indirectly		
江門市安發塑膠制品有限公司	The PRC	–	100%	HK$600,000	Manufacture of novelties and festival decorations products
中山市威發塑膠制品有限公司	The PRC	–	100%	RMB6,000,000	Manufacture of novelties and festival decorations products
中山市志發玩具有限公司	The PRC	–	79.6%	RMB5,600,000	Manufacture and sales of toys

None of the subsidiaries had any debt securities outstanding at the end of the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
Fareastern Trade Limited	BVI/Hong Kong	**88%**	88%	**1,361**	815	**6,902**	6,118
Mars Technology Limited	BVI/Hong Kong	**79.6%**	79.6%	**1,308**	2,664	**6,963**	6,871

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Fareastern Trade Limited and its wholly owned subsidiary (Fareastern Group)

	2014 HK$'000	2013 HK$'000
Current assets	**177,030**	155,814
Non-current assets	**29,766**	25,437
Current liabilities	**141,952**	122,986
Non-current liabilities	**274**	294
Equity attributable to owners of the Company	**57,668**	51,853
Non-controlling interests	**6,902**	6,118
Revenue	**91,044**	88,177
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	**8,620**	7,809
Non-controlling interests	**1,361**	815
Net cash generated from operating activities	**2,774**	3,233
Net cash used in investing activities	**(8,129)**	(4,031)
Net cash generated from (used in) financing activities	**–**	–
Net decrease in cash and cash equivalents	**(5,355)**	(798)

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Mars Technology Limited and its wholly owned subsidiary (Mars Group)

	2014 HK$'000	2013 HK$'000
Current assets	**121,248**	134,982
Non-current assets	**6,220**	5,633
Current liabilities	**93,326**	106,925
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**27,179**	26,819
Non-controlling interests	**6,963**	6,871
Revenue	**77,428**	94,348
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	**5,903**	10,937
Non-controlling interests	**1,308**	2,664
Net cash (used in) generated from operating activities	**(13,791)**	14,423
Net cash used in investing activities	**(1,343)**	(2,720)
Net cash used in financing activities	**(1,226)**	(828)
Net (decrease) increase in cash and cash equivalents	**(16,360)**	10,875

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 HK$'000	2013 HK$'000
Unlisted investments in subsidiaries	32,061	32,061
Bank balance and cash	184	226
Other current assets	182,092	169,291
Current liabilities	(59,002)	(33,456)
Tax liability	(982)	(720)
Net assets	154,353	167,402
Share capital (note 26)	29,867	29,012
Reserves	124,486	138,390
Total equity	154,353	167,402

Profit of the Company for 2014 amounted to HK$13,150,000 (2013: HK$16,443,000).

RESULTS

	Year ended 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
Revenue	382,779	382,963	257,879	248,741	**225,549**
Profit (loss) before tax	21,541	(5,255)	47,971	32,712	**13,840**
Income tax (expenses) credit	(154)	1,623	(5,497)	(8,449)	**(3,494)**
Profit (loss) for the year from continuing operations	21,387	(3,632)	42,474	24,263	**10,346**
Loss for the year from discontinued operations	–	–	(4,707)	(8,272)	**–**
Profit (loss) for the year	21,387	(3,632)	37,767	15,991	**10,346**
Attributable to:					
Owners of the Company	20,175	(5,613)	33,856	12,512	**7,677**
Non-controlling interests	1,212	1,981	3,911	3,479	**2,669**
Profit (loss) for the year	21,387	(3,632)	37,767	15,991	**10,346**

ASSETS AND LIABILITIES

	As at 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
Total assets	307,950	298,189	272,971	280,606	**264,136**
Total liabilities	(79,489)	(87,554)	(59,477)	(65,977)	**(67,238)**
Total equity	228,461	210,635	213,494	214,629	**196,898**
Non-controlling interests	9,258	9,223	12,163	13,720	**14,597**
Equity attributable to owners of the Company	219,203	201,412	201,331	200,909	**182,301**
Total equity	228,461	210,635	213,494	214,629	**196,898**

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

Category Location	Use	Category of lease	Group's interest
Unit 2, 8/F, Sun Hing Industrial Building, 46 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial	Medium-term	100%
Units 1 & 2, 15/F, Sun Hing Industrial Building, 46 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial	Medium-term	100%

LEASEHOLD LAND AND BUILDINGS

Category Location	Use	Category of lease	Group's interest
Units C & D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong.	Industrial	Medium-term	100%