QUALIPAK
INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1332

2014 ANNUAL REPORT

DIRECTORS

Executive directors
Ms. Poon Ho Yee Agnes *(Managing Director)*
Ms. Sun Dixie Hui

Non-executive director
Dr. Lam How Mun Peter *(Chairman)*

Independent non-executive directors
Mr. Chan Sze Hung
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Chan Sze Hung
Mr. To Shing Chuen

NOMINATION COMMITTEE

Dr. Lam How Mun Peter *(Chairman)*
Ms. Poon Ho Yee Agnes
Mr. Chan Sze Hung
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. Chan Sze Hung *(Chairman)*
Dr. Lam How Mun Peter
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUTHORISED REPRESENTATIVES

Ms. Poon Ho Yee Agnes
Ms. Sun Dixie Hui

COMPANY SECRETARY

Ms. Fung Pui Ling

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

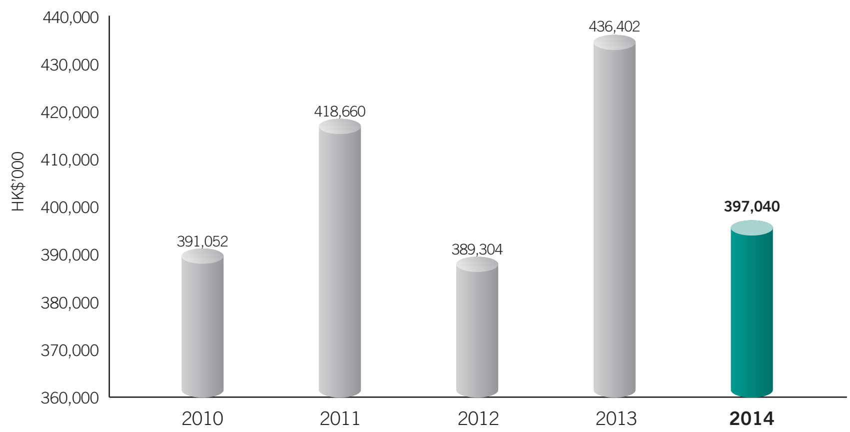
www.qualipakhk.com

STOCK CODE

1332

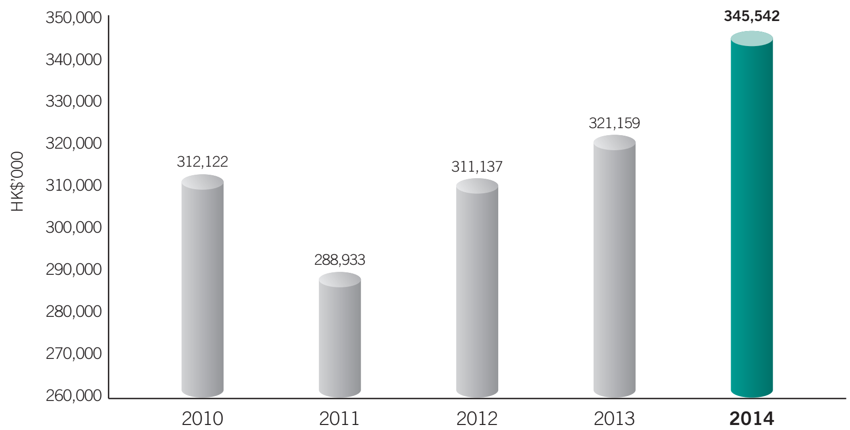
REVENUE

Year ended 31 December



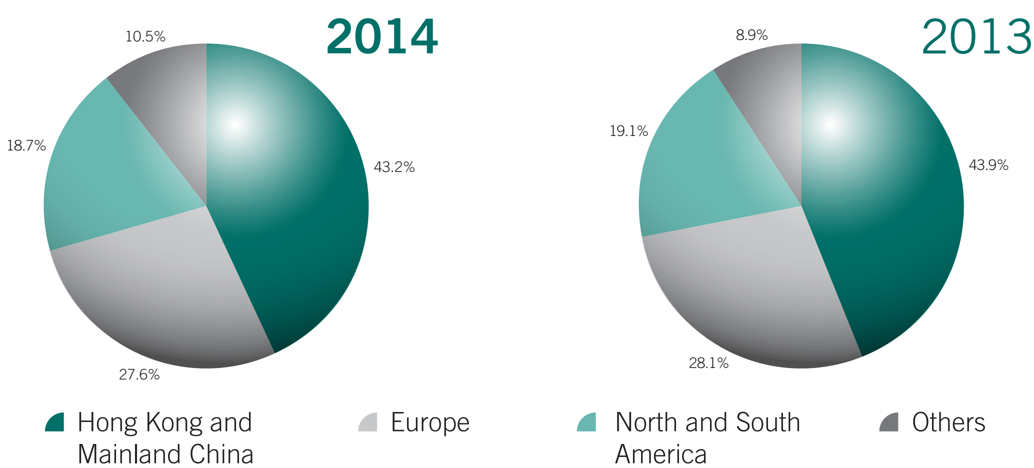
TOTAL ASSETS

As at 31 December



REVENUE BY GEOGRAPHICAL LOCATIONS OF CUSTOMERS

Year ended 31 December



EXECUTIVE DIRECTORS

Ms. POON Ho Yee Agnes, aged 47, was appointed Director of the Company on 28 November 2011 and was re-designated as Executive Director and appointed Managing Director both on 18 May 2012. She is a member of the Executive Committee and the Nomination Committee. She also serves as a Director of several subsidiaries of the Company. She has joined the Group since 1990. As Managing Director, Ms. Poon is mainly responsible for the day-to-day management of the Group, recommending strategies to the board of directors (the "Board"), and determining and implementing operational decisions. In addition, she is also in charge of sales and marketing management and manufacturing operations of the Group. Ms. Poon graduated from the University of Hong Kong with a master's degree in electronic commerce and internet computing in 2003 and from Simon Fraser University with a bachelor's degree in business administration in 1990. She also obtained a master's degree in counseling from the University of South Australia in 2006. Ms. Poon has over 20 years of extensive experience in sales and marketing within the manufacturing industry. She was an Executive Director of C C Land Holdings Limited ("CC Land"), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from June 1998 to July 2012.

Ms. SUN Dixie Hui, aged 45, was appointed Executive Director of the Company on 26 November 2014. She is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. She is responsible for advising on treasury investment, formulating PRC sales and marketing strategies and overseeing the management of the Group. Ms. Sun graduated from Beijing Second Foreign Language Institute with a bachelor's degree in economics in 1992 and obtained a master's degree in business administration from the University of New South Wales in 1997. She has 15 years of experience in investment and banking industry.

NON-EXECUTIVE DIRECTOR

Dr. LAM How Mun Peter, aged 67, was appointed Chairman and Non-executive Director of the Company both on 19 June 2012. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. Dr. Lam was one of the founders of our Group in 1989. He also serves as a Director of four subsidiaries of the Company. As Chairman, Dr. Lam is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. Dr. Lam graduated from the University of Hong Kong with a bachelor's degree in medicine and surgery in 1972. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of extensive experience in corporate management, real estate and investment. Dr. Lam is the Deputy Chairman, Managing Director and an Executive Director of CC Land.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sze Hung, aged 62, was appointed Independent Non-executive Director of the Company on 19 June 2012. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. Chan received his bachelor's degree in laws from the University of Hong Kong in 1975. He has over 30 years of working experiences in the legal profession. Mr. Chan was a Non-executive Director of Asia Orient Holdings Limited, the shares of which are listed on the Stock Exchange, from June 1996 to July 2012. He is currently a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong.

Mr. HA Kee Choy Eugene, aged 58, was appointed Independent Non-executive Director of the Company on 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Ha holds a master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the director of a certified public accountants corporate practice and the director of an advisory services limited in Hong Kong. He is also an Independent Non-executive Director of Heritage International Holdings Limited ("Heritage"), the shares of which are listed on the Stock Exchange.

Mr. TO Shing Chuen, aged 64, was appointed Independent Non-executive Director of the Company on 26 November 2014. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. To holds a bachelor's degree in arts and has over 19 years of experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies. He is also an Independent Non-executive Director of Heritage.

To our Shareholders,

I am pleased to present the annual results of Qualipak International Holdings Limited and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

BUSINESS REVIEW

The year 2014 was a complicated year as global economic uncertainties lingered. Economic recovery in the USA continued but the Euro zone fared into deflation from ultra-low growth and China saw a slowdown of the economic growth momentum. The weaker-than-expected world economy caused overall sluggish consumer demand for luxury goods. All the Group's major markets reflected weak market demand on the packaging products. Against this background, the weak consumer sentiment had impacted on the sales which was down by 9.0%. Relatively fixed operating expenses, constant costs increases in Mainland China and decreased sales orders had all influenced negatively on profitability. The net profit declined to HK$11.4 million, a 32.7% reduction on the 2013 performance. In response, we strived for improving product innovation, market extension and cost control measures. After a moderate slowdown in the first half of 2014, a mild increase in sales and profitability was achieved in the second half of the year to ease the downward trend.

PROSPECTS

Looking ahead, the general economic conditions and the operating environment in the manufacturing business will continue to remain challenging. The global economic growth is still weak and uneven, and remains susceptible to downside risk. Consumer markets are expected to be volatile and fragile combined with rising labour costs in Mainland China due to worker shortages and government regulations. The Group has conducted a review on the financial position and business operations for the purpose of formulating long-term business plans and strategies in the following directions to mitigate the unfavourable circumstances by diversifying risk and broadening the sources of income:

1. The Group aims to rationalize the assets by increasing their productivity and returns. The Group considers the optimization of assets portfolio to dispose and/or arrange sale-leaseback alternatives for reflecting its fair value of assets and releasing financial resources trapped in illiquid assets that can be deployed in stronger earning potential opportunities. In order to maintain the competitiveness of the sale and manufacture of packaging products, the Group will continue to strive hard to explore new markets, reduce costs and add new product categories to attract new orders.

2. In view of enormous opportunities for environmental protection industries, the Group intends to capture the strong potential and develop in business related to environmental protection and energy saving. The Group will focus on light-emitting diode (LED) lighting business and believes that additional business opportunities will be generated from considerable pressure of the market place for the adoption and practices of green business.

3. The Group has been actively looking for opportunities for expansion and diversification. In order to utilise its surplus fund and to seek better return of the assets employed, the Group has decided to diversify its single operating segment, the manufacture and sale of packaging products, to treasury investment activities. The engagement of these activities will include the involvement of security investment and money lending business for the anticipation of steady return of income flow as well as capital gains.

CHANGE OF CONTROL AND BOARD

Between September and November 2014, former substantial shareholders of the Company disposed of their shareholding interests in the Company. Control of the Company changed hands and Ms. Sun Dixie Hui, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen were appointed as Directors in November 2014. I am very pleased to welcome these new Board members and the Group will benefit from their extensive expertise and experience in the development of future business.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to our shareholders, strategic partners and bankers for their continued support. I wish to thank all of our fellow directors for their valuable contribution and employees for their loyalty and dedication in these challenging times. Together, we are looking forward to advancing the Group for business growth in the year to come.

Lam How Mun Peter
Chairman

Hong Kong, 23 March 2015

FINANCIAL REVIEW

The Group reported a consolidated revenue of HK$397.0 million for the year ended 31 December 2014, representing a decrease of 9.0 % from 2013 (2013: HK$436.4 million). The decrease in revenue was seen in all major markets in similar degrees. Hong Kong and Mainland China continued to be the largest market and accounted for 43.2 % of total revenue (2013: 43.9%). Sales to Europe and North and South America contributed to 27.6% (2013: 28.1%) and 18.7% (2013: 19.1%) respectively. The decline was more a reflection of weak customer market caused by slowdown of economic growth in all regions of the world apart from the USA.

The Group's gross profit for the year was HK$66.3 million or 16.7% as compared to HK$69.5 million or 15.9% respectively for the previous year. If the one-off settlement payment to employees arising from the cessation of their employment due to the transformation of the Guanlan processing factory in 2013 were excluded, the gross profit margin would have been 16.8% in 2013. Under this scenario, the gross profit margin declined only by 0.1% in 2014 due to inevitable increase in production and operating costs but mainly on account of effective cost control.

The profit attributable to owners of the Company for the year ended 31 December 2014 amounted to HK$10.3 million (2013: HK$13.4 million), representing a decrease of 23.0%. The decrease was primarily due to the contraction of sales revenue coupled with the increase in production and operating costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a healthy financial position. During the year, opportunities arose for the Group to acquire various securities listed on The Stock Exchange of Hong Kong Limited, utilising the Group's surplus fund at the cost of approximately HK$75.9 million. As at 31 December 2014, the Group had no outstanding bank borrowing (2013: Nil) and had cash in hand of HK$ 40.1 million (2013: HK$88.0 million), which included HK$3.0 million (2013: HK$7.5 million) of time deposit pledged to a bank.

As such, the gearing ratio (bank borrowings to shareholders' equity) as at 31 December 2014 was zero (2013: Zero).

PLEDGE OF ASSETS

As at 31 December 2014, the Group has pledged certain of its leasehold properties and bank deposit with an aggregated amount of HK$34.4 million (2013: HK$35.2 million) and HK$3.0 million (2013: HK$7.5 million) respectively, as security for general banking facilities granted to its subsidiary and associates.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had contingent liabilities in respect of guarantee amounting to HK$4.5 million (2013: Nil) given to a financial institution for general banking facilities granted to its associates.

FOREIGN EXCHANGE RISK

Sales and purchases transactions of the Group were primarily denominated in US dollars and Hong Kong dollars. The exposure to foreign exchange risk is thus minimal. However, the Group was indirectly exposed to currency risk of RMB, arising from the payment of manufacturing expenses incurred in Mainland China. The Group had entered into non-deliverable forward currency contracts to manage its foreign currency risk during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group entered into a conditional agreement on 28 November 2014 with an independent third party to dispose of the entire issued share capital of its subsidiary, King Place Investments Limited, which has as its only asset a property with a carrying amount of HK$29.5 million at 31 December 2014, together with the assignment of a shareholder's loan for a consideration of HK$92.0 million. The sale transaction is expected to complete in 2015.

EMPLOYEES

As at 31 December 2014, the Group had a total workforce of approximately 1,137 employees in Hong Kong and Mainland China. The Group remunerates the employees based on their merit, qualification, and competence. The Group has also established an incentive bonus scheme to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include provident fund contributions, medical and life insurances.

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Currently, the Board is chaired by Dr. Lam How Mun Peter. It consists of two executive directors and four non-executive directors, three of whom are independent. Names and other details of the members of the Board are set out under the heading of "Directors' Profiles" on page 4. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The current structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the number and nature of offices they held in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of board, committees and general meetings in 2014:

	Attendance/Number of meetings held					
Name of directors	Regular board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Annual general meeting	Special general meeting
Executive Directors						
Poon Ho Yee Agnes *(Managing Director)*	4/4	–	–	2/2	1/1	1/1
Sun Dixie Hui*	1/1	–	–	–	–	1/1
Lam Hiu Lo**	3/3	–	–	–	0/1	–
Leung Chun Cheong**	3/3	–	–	–	1/1	–
Wu Hong Cho**	3/3	–	–	–	1/1	–
Non-executive Directors						
Lam How Mun Peter *(Chairman)*	4/4	–	2/2	2/2	1/1	1/1
Leung Wai Fai**	3/3	–	–	–	1/1	–
Independent Non-executive Directors						
Chan Sze Hung	4/4	3/3	2/2	2/2	1/1	1/1
Ha Kee Choy Eugene*	1/1	1/1	–	–	–	0/1
To Shing Chuen*	1/1	1/1	–	–	–	0/1
Leung Wai Keung**	3/3	2/2	1/1	1/1	1/1	–
Tam Kwok Fai Paul**	3/3	2/2	1/1	1/1	1/1	–

Notes:

* Appointed on 26 November 2014

** Resigned on 26 November 2014

During the year, the non-executive directors (including independent non-executive directors) have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management of the Company.

The Chairman sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, its meetings and procedures comply with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During the year under review, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of directors	**Type of continuous professional development programmes**
Executive Directors	
Poon Ho Yee Agnes *(Managing Director)*	A and B
Sun Dixie Hui*	B
Lam Hiu Lo**	A and B
Leung Chun Cheong**	A and B
Wu Hong Cho**	A and B
Non-executive Directors	
Lam How Mun Peter *(Chairman)*	A and B
Leung Wai Fai**	A and B
Independent Non-executive Directors	
Chan Sze Hung	A and B
Ha Kee Choy Eugene*	A and B
To Shing Chuen*	B
Leung Wai Keung**	A and B
Tam Kwok Fai Paul**	A and B

Notes:

* Appointed on 26 November 2014
** Resigned on 26 November 2014
A Attending face-to-face courses, seminars or conferences
B Reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, Mr. Chan Sze Hung, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Ha Kee Choy Eugene. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2014. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the system of internal control covering all material controls, including financial, operational and compliance controls and risk management functions and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. It has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises one non-executive director, Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Chan Sze Hung, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Chan Sze Hung. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2014, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages of existing directors and directors who were newly appointed during the year ended 31 December 2014, the existing share option scheme and the retirement benefit schemes. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company. It has also reviewed the Remuneration Policy and its implementation.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive director, Ms. Poon Ho Yee Agnes, one non-executive director, Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Chan Sze Hung, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Dr. Lam How Mun Peter. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, selection of candidates shall be 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. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During 2014, the Nomination Committee has reviewed and discussed, among other matters, the structure, size and composition including the skills, knowledge, experience and diversity of the Board and also assessed the independence of independent non-executive directors of the Board and made recommendations on the appointment of Executive Director, Ms. Sun Dixie Hui and two Independent Non-executive Directors, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen to the Board. It has also reviewed the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$1,729,000, of which HK$1,250,000 was for audit services and HK$479,000 was for non-audit services including review, tax and consultancy services.

In addition, the remuneration paid/payable to the independent auditors of subsidiaries of the Company amounted to a total of HK$113,000, of which HK$107,000 was for audit services and HK$6,000 was for non-audit services including tax services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2014.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Bye-laws.

1. **Convening special general meeting**

   Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries the voting right at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary.

   If the directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which an SGM is to be convened by the directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such defaulting directors.

2. **Putting forward proposals at shareholders' meetings**
In addition to the right to requisition an SGM, members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or
(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or
(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and
(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. **Proposing a person for election as director**
Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

4. **Sending enquiries to the Board**
Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Email:	qualipak@qualipakhk.com
Telephone:	+852 2529 6196

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website under the column of "Investor Relations". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to The Stock Exchange of Hong Kong Limited are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations". There was no significant change in them during the year under review.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the internal control system established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's internal control system. The Board has also conducted an annual review of the effectiveness of the Group's internal control system. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external independent auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 21.

The directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units. Its product portfolio is principally packaging products for watches, jewellery and eyewear products, comprising packaging cases, bags and pouches and display units. Details of the principal activities of the Company's principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 71.

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 but propose to make a bonus issue of one new share credited as fully paid for every four existing shares held to the shareholders of the Company whose names appear on the registers of members on 26 May 2015. The necessary resolution will be proposed at the forthcoming annual general meeting to be held on 18 May 2015 (the "AGM"), and if passed and obtained the approval from the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for granting of listing and permission to deal in the bonus shares, share certificates of the bonus issue will be posted on or before 3 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 May 2015 to Monday, 18 May 2015, both days inclusive, for determining the eligibility of shareholders for attending and voting at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Thursday, 14 May 2015.

The register of members of the Company will also be closed from Friday, 22 May 2015 to Tuesday, 26 May 2015, both days inclusive, for determining the eligibility of shareholders for the proposed issue of bonus shares. In order to qualify for the proposed issue of bonus shares, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of the above address for registration by 4:30 p.m. on Thursday, 21 May 2015.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Stock Exchange on 12 July 2012 (the "Listing Date") and raised net proceeds of HK$20.2 million. As at 31 December 2014, the unused proceeds of HK$1.0 million were deposited with licensed banks in Hong Kong.

As at 31 December 2014, the net proceeds was utilised as follows:

	Actual net proceeds HK$ million	Amount utilised up to 31 December 2014 HK$ million	Balance as at 31 December 2014 HK$ million
Acquisition and replacement of machinery and equipment	8.1	8.1	–
Explore new business opportunities and enhance market awareness of the Group's products	8.1	7.8	0.3
Enhance the Group's product design and development capability	2.0	1.3	0.7
Working capital and other general corporate purposes	2.0	2.0	–
	20.2	19.2	1.0

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 72. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

ASSOCIATES

Particulars of the Group's associates are set out in note 17 to the financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time), amounted to HK$73,468,000, including, the Company's contributed surplus account in the amount of HK$34,951,000 may be distributed in form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted in the aggregate for 52.5% of the total sales for the year and sales to the largest customer included therein amounted to 25.3%. Purchases from the Group's five largest suppliers accounted in the aggregate for 66.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28.3%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Ms. Poon Ho Yee Agnes *(Managing Director)*
Ms. Sun Dixie Hui *(appointed on 26 November 2014)*
Mr. Lam Hiu Lo *(resigned on 26 November 2014)*
Mr. Leung Chun Cheong *(resigned on 26 November 2014)*
Mr. Wu Hong Cho *(resigned on 26 November 2014)*

Non-executive Directors:
Dr. Lam How Mun Peter *(Chairman)*
Mr. Leung Wai Fai *(resigned on 26 November 2014)*

Independent Non-executive Directors:
Mr. Chan Sze Hung
Mr. Ha Kee Choy Eugene *(appointed on 26 November 2014)*
Mr. To Shing Chuen *(appointed on 26 November 2014)*
Dr. Leung Wai Keung *(resigned on 26 November 2014)*
Mr. Tam Kwok Fai Paul *(resigned on 26 November 2014)*

In accordance with Bye-law 84 of the Company's Bye-laws, Ms. Poon Ho Yee Agnes will retire and, being eligible, will offer herself for re-election at the AGM. All other directors will continue to be in office.

The Company has received from each of the Independent Non-executive Directors, Mr. Chan Sze Hung, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, an annual written confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board has reviewed their independence based on such confirmations and considers all of them to remain independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on page 4.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

NON-COMPETITION UNDERTAKINGS

The Company has received from C C Land Holdings Limited ("CC Land") and each of the former controlling shareholders of the Company, namely, Mr. Cheung Chung Kiu, Thrivetrade Limited ("Thrivetrade") and Regulator Holdings Limited an annual confirmation in relation to the non-competition undertakings (the "Undertakings") made to the Company under the Deed of Non-competition dated 21 June 2012 (the "Deed"), details of which were disclosed in the prospectus of the Company dated 28 June 2012 (the "Prospectus") under the section headed "Relationship with Controlling Shareholders and CC Land".

The independent non-executive directors have reviewed the Undertakings and are of the view that CC Land has complied with the terms of the Deed during the year ended 31 December 2014 and each of the Company's former controlling shareholders has also complied with the terms of the Deed during the period from 1 January 2014 to 29 September 2014. Following the completion of Thrivetrade's disposal of its entire shareholdings in the Company, representing 40.61% of the Company's issued share capital on 29 September 2014, the obligations of each of the former controlling shareholders under the Deed ceased as each of them and/or their associates no longer collectively hold 30% or more of the equity interest in the Company.

REMUNERATION DETAILS

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 28 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

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

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage (Note)
Dr. Lam How Mun Peter	Beneficial owner	15,926	0.01
Ms. Poon Ho Yee Agnes	Beneficial owner	5,200	0.00

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above and "Share Options" below, and in the share option scheme disclosures set out in note 28 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement 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, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

The Company adopted a share option scheme on 18 May 2012, details of which were disclosed in the Prospectus and are set out in note 28 to the financial statements. No share option has been granted since its adoption.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 31 December 2014, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage [2]
Ms. Lo Ki Yan Karen	Interest of controlled corporation	58,385,656 [1]	40.61
Amazing Bay Limited	Beneficial owner	58,385,656 [1]	40.61

Notes:

1. 58,385,656 of such shares were held through Amazing Bay Limited, a company wholly-owned by Ms. Lo Ki Yan Karen ("Ms. Lo"). Accordingly, Ms. Lo was deemed to be interested in the same number of shares held through Amazing Bay Limited.

2. Approximate percentage refers to the number of shares which a shareholder held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken by the Group for the year are set out in note 33 to the financial statements. These transactions were exempted continuing connected transactions under the Listing Rules. The Company's directors (including independent non-executive directors) are of the view that these transactions were in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, and in the interests of the shareholders as a whole. Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 37 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2014 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the AGM.

On behalf of the Board

Lam How Mun Peter
Chairman

Hong Kong, 23 March 2015

EY 安永

To the shareholders of Qualipak International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Qualipak International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 22 to 71, which comprise the consolidated and company statements 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 (the "HKICPA") 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Company and of the Group as at 31 December 2014, and of the Group's 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.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
23 March 2015

	Notes	**2014 HK$'000**	2013 HK$'000
REVENUE	5	**397,040**	436,402
Cost of sales		**(330,786)**	(366,930)
Gross profit		**66,254**	69,472
Other income and gains	5	**2,530**	4,235
Selling and distribution expenses		**(15,142)**	(16,049)
Administrative expenses		**(39,289)**	(37,080)
Other expenses		**(62)**	(890)
Share of profits and losses of associates		**(1,135)**	24
PROFIT BEFORE TAX	6	**13,156**	19,712
Income tax expense	9	**(1,766)**	(2,780)
PROFIT FOR THE YEAR		**11,390**	16,932
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**1,522**	–
Exchange differences on translation of foreign operations		**(17)**	59
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,505**	59
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,895**	16,991
Profit attributable to:			
Owners of the parent	11	**10,349**	13,435
Non-controlling interests		**1,041**	3,497
		11,390	16,932
Total comprehensive income attributable to:			
Owners of the parent	11	**11,854**	13,494
Non-controlling interests		**1,041**	3,497
		12,895	16,991
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Restated)
Basic and diluted	12	**HK0.36 cents**	HK0.47 cents

Details of the dividend for the year are disclosed in note 10 to the financial statements.

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**85,505**	119,461
Prepaid land lease payments	15	**12,538**	12,940
Investments in associates	17	**–**	1,135
Available-for-sale investments	18	**77,416**	–
Total non-current assets		**175,459**	133,536
CURRENT ASSETS			
Prepaid land lease payments	15	**402**	402
Inventories	19	**37,759**	41,586
Trade and bills receivables	20	**50,361**	53,295
Prepayments, deposits and other receivables	21	**7,579**	4,110
Tax recoverable		**1,108**	186
Pledged deposits	22	**3,023**	7,542
Cash and cash equivalents	22	**37,034**	80,502
		137,266	187,623
Assets of a disposal group classified as held for sale	13	**32,817**	–
Total current assets		**170,083**	187,623
CURRENT LIABILITIES			
Trade and bills payables	23	**37,867**	31,931
Other payables and accruals	24	**30,228**	25,168
Tax payable		**870**	404
		68,965	57,503
Liabilities directly associated with the assets classified as held for sale	13	**580**	–
Total current liabilities		**69,545**	57,503
NET CURRENT ASSETS		**100,538**	130,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**275,997**	263,656
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**968**	1,522
Net assets		**275,029**	262,134
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**14,377**	14,377
Reserves	27(a)	**258,678**	246,824
		273,055	261,201
Non-controlling interests		**1,974**	933
Total equity		**275,029**	262,134

Lam How Mun Peter
Director

Poon Ho Yee Agnes
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	14,377	18,733	45,291	(12,861)	–	–	182,167	247,707	1,601	249,308
Profit for the year	–	–	–	–	–	–	13,435	13,435	3,497	16,932
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	59	–	59	–	59
Total comprehensive income for the year	–	–	–	–	–	59	13,435	13,494	3,497	16,991
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	(4,165)	(4,165)
At 31 December 2013 and 1 January 2014	**14,377**	**18,733***	**45,291***	**(12,861)***	**–***	**59***	**195,602***	**261,201**	**933**	**262,134**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**10,349**	**10,349**	**1,041**	**11,390**
Other comprehensive income for the year:										
Available-for-sale investments:										
Change in fair value of available-for-sale investments, net of tax	**–**	**–**	**–**	**–**	**1,522**	**–**	**–**	**1,522**	**–**	**1,522**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(17)**	**–**	**(17)**	**–**	**(17)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,522**	**(17)**	**10,349**	**11,854**	**1,041**	**12,895**
At 31 December 2014	**14,377**	**18,733***	**45,291***	**(12,861)***	**1,522***	**42***	**205,951***	**273,055**	**1,974**	**275,029**

* These reserve accounts comprise the consolidated reserves of HK$258,678,000 (2013: HK$246,824,000) in the consolidated statement of financial position.

	Notes	**2014 HK$'000**	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**13,156**	19,712
Adjustments for:			
Share of (profits)/losses of associates		**1,135**	(24)
Bank interest income	5	**(150)**	(101)
Depreciation	14	**4,846**	5,118
Amortisation of prepaid land lease payments	15	**402**	401
Gain on disposal of items of property, plant and equipment	5	**(40)**	(42)
Impairment/(write-back of impairment) of trade receivables	6	**62**	(358)
Write-down of inventories to net realisable value	6	**1,034**	889
Forfeiture of deposits from customers	5	**–**	3
		20,445	25,598
Decrease/(increase) in inventories		**2,798**	(6,334)
Increase in trade, bills and other receivables, prepayments and deposits		**(3,857)**	(547)
Increase/(decrease) in trade, bills and other payables and accruals		**10,997**	(3,195)
Cash generated from operations		**30,383**	15,522
Interest received		**150**	101
Hong Kong profits tax paid		**(2,239)**	(1,703)
Net cash flows from operating activities		**28,294**	13,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(434)**	(3,347)
Purchases of available-for-sale investments		**(75,894)**	–
Proceeds from disposal of items of property, plant and equipment		**40**	57
Decrease/(increase) in pledged time deposits		**4,519**	(26)
Net cash flows used in investing activities		**(71,769)**	(3,316)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid to a non-controlling shareholder		**–**	(4,165)
Net cash flows used in financing activity		**–**	(4,165)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(43,475)**	6,439
Cash and cash equivalents at beginning of year		**80,502**	74,004
Effect of foreign exchange rate changes, net		**7**	59
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,034**	80,502
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**37,034**	64,416
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	16,086
		37,034	80,502

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**47,890**	47,890
CURRENT ASSETS			
Prepayments and other receivables	21	**275**	296
Due from subsidiaries	16	**59,667**	6,928
Tax recoverable		**65**	–
Cash and cash equivalents	22	**199**	17,552
Total current assets		**60,206**	24,776
CURRENT LIABILITIES			
Other payables and accruals	24	**1,518**	2,387
Due to subsidiaries	16	**–**	1,600
Tax payable		**–**	33
Total current liabilities		**1,518**	4,020
NET CURRENT ASSETS		**58,688**	20,756
Net assets		**106,578**	68,646
EQUITY			
Issued capital	26	**14,377**	14,377
Reserves	27(b)	**92,201**	54,269
Total equity		**106,578**	68,646

Lam How Mun Peter
Director

Poon Ho Yee Agnes
Director

1. CORPORATE INFORMATION

Qualipak International Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

As at 31 December 2014, the principal activities of the Company are investment holding and provision of corporate management services. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

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 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKAS 1	*Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
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]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

(Continued)

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[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

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

(Continued)

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are all entities (including structured entities), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(Continued)*

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised as finance costs in profit or loss for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

The Group uses derivative financial instruments, being forward currency contracts, to manage its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. The derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of the derivative financial instruments are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of certain overseas subsidiaries is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 31 December 2014, no impairment losses of have been recognised for available-for-sale assets (2013: Nil). The carrying amount of available-for-sale assets was HK$77,416,000 (2013: Nil).

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment of trade and other receivables

In determining whether an impairment loss on trade and other receivables is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and debtors and reports to management on the recoverability. An impairment loss is only made for receivables that are unlikely to be collected.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one operating segment which is the manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Revenue from external customers based on the locations of these customers is analysed as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong and Mainland China	**171,323**	191,304
Europe	**109,654**	122,753
North and South America	**74,149**	83,432
Others	**41,914**	38,913
	397,040	436,402

The geographical locations of the Group's non-current assets are analysed as follows:

	2014	2013
	HK$'000	HK$'000
Hong Kong	**113,331**	68,554
Mainland China	**62,128**	64,982
	175,459	133,536

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from the sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units to customers which individually accounted for more than 10% of the Group's total revenue is as follows:

	2014	2013
	HK$'000	HK$'000
Customer A	**100,373**	131,748
Customer B	**44,712**	–*

* Revenue from this customer did not account for more than 10% of the Group's total revenue for the year ended 31 December 2013.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	2014 HK$'000	2013 HK$'000
Bank interest income	**150**	101
Sale of scrap materials	**297**	733
Gain on disposal of items of property, plant and equipment, net	**40**	42
Gross rental income	**960**	960
Fair value gain on derivative financial instruments, net	**261**	2,013
Foreign exchange gains, net	**621**	–
Forfeiture of deposits from customers	**–**	3
Others	**201**	383
	2,530	4,235

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold		**329,752**	366,041
Depreciation	14	**4,846**	5,118
Amortisation of prepaid land lease payments	15	**402**	401
Minimum lease payments under operating leases in respect of land and buildings		**288**	263
Auditors' remuneration		**1,250**	1,350
Employee benefit expenses (including directors' remuneration (note 7)):			
Wages and salaries		**86,610**	97,294
Pension scheme contributions		**10,366**	11,681
		96,976	108,975
Gross rental income	5	**(960)**	(960)
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		**300**	285
Net rental income		**(660)**	(675)
Foreign exchange differences, net		**(621)**	1,248*
Impairment/(write-back of impairment) of trade receivables*		**62**	(358)
Write-down of inventories to net realisable value		**1,034**	889

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**1,299**	990
Other emoluments:		
Salaries, allowances and benefits in kind	**3,897**	3,490
Performance related bonuses*	**400**	800
Pension scheme contributions	**144**	129
	5,740	5,409

* An executive director of the Company is entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the director and comparable market practice during the year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	HK$'000	HK$'000
Mr. Chan Sze Hung	**220**	200
Dr. Leung Wai Keung (Note (i))	**198**	200
Mr. Tam Kwok Fai Paul (Note (i))	**198**	200
Mr. Ha Kee Choy Eugene (Note (ii))	**24**	–
Mr. To Shing Chuen (Note (ii))	**24**	–
	664	600

Notes:

(i) Resigned on 26 November 2014

(ii) Appointed on 26 November 2014

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

7. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

Year ended 31 December 2014	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Lam Hiu Lo	(i)	–	–	–	–	–
Mr. Leung Chun Cheong	(i)	–	645	–	30	675
Ms. Poon Ho Yee Agnes		–	2,340	400	108	2,848
Mr. Wu Hong Cho	(i)	–	785	–	–	785
Ms. Sun Dixie Hui	(ii)	–	127	–	6	133
		–	3,897	400	144	4,441
Non-executive directors:						
Dr. Lam How Mun Peter		500	–	–	–	500
Mr. Leung Wai Fai	(i)	135	–	–	–	135
		635	–	–	–	635
		635	3,897	400	144	5,076

Year ended 31 December 2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Lam Hiu Lo	–	–	–	–	–
Mr. Leung Chun Cheong	–	650	–	30	680
Ms. Poon Ho Yee Agnes	–	2,145	400	99	2,644
Mr. Wu Hong Cho	–	695	400	–	1,095
	–	3,490	800	129	4,419
Non-executive directors:					
Dr. Lam How Mun Peter	250	–	–	–	250
Mr. Leung Wai Fai	140	–	–	–	140
	390	–	–	–	390
	390	3,490	800	129	4,809

Notes:

(i) Resigned on 26 November 2014

(ii) Appointed on 26 November 2014

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2013: two directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining four (2013: three) non-director highest paid employees are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,814**	2,770
Performance related bonuses	**214**	100
Pension scheme contributions	**154**	131
	4,182	3,001

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**4**	1
	4	3

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The Group's subsidiaries, which are established in the People's Republic of China (the "PRC"), have available tax losses brought forward from prior years to offset against the assessable profits generated during the year.

	2014	2013
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**1,702**	2,769
Underprovision in prior years	**44**	27
Deferred (note 25)	**20**	(16)
Total tax charge for the year	**1,766**	2,780

9. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Profit before tax	**13,156**	19,712
Tax at the statutory tax rate	**2,256**	3,142
Income from offshore manufacturing operation not subject to tax	**(1,168)**	(1,177)
Adjustments in respect of current tax of previous periods	**44**	27
(Profits)/losses attributable to associates	**187**	(4)
Income not subject to tax	**(116)**	(67)
Expenses not deductible for tax	**863**	804
Tax losses utilised from previous periods	**(266)**	(113)
Tax losses not recognised	**46**	345
Others	**(80)**	(177)
Tax charge at the Group's effective tax rate	**1,766**	2,780

10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2013: Nil) but propose to make a bonus issue, subject to the approval of the Company's shareholders at the forthcoming annual general meeting, of one new share credited as fully paid for every four existing shares held to the shareholders of the Company whose names appear on the register of members on 26 May 2015.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$8,592,000 (2013: HK$7,898,000) which has been dealt with in the financial statements of the Company (note 27(b)).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the parent of HK$10,349,000 (2013: HK$13,435,000), and the weighted average number of ordinary shares of 2,875,319,860 (2013: 2,875,319,860 (restated)) in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of Share Subdivision and Bonus Issue (as defined in note 26 to the financial statements) effected on 2 January 2015 and 15 January 2015, respectively, which were approved by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, as disclosed in notes 26 and 37(a).

The Group had no potentially dilutive ordinary shares in issue during those years.

13. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

On 28 November 2014, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in King Place Investments Limited ("King Place"), which is principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the immediate holding company of King Place, at a consideration of HK$92,000,000 (the "Consideration"). The Group has decided to dispose of the subsidiary as a result of the favourable property market environment in recent years and unattractive yield compared to the Consideration. As such, the assets and liabilities of King Place were classified as a disposal group held for sale. The transaction is expected to complete in 2015.

The assets and liabilities of King Place (excluding inter-company loan which is eliminated in consolidation) as at 31 December 2014 are as follows:

	HK$'000
Assets	
Property	**29,544**
Prepayments, deposits and other receivables	**3,236**
Tax recoverable	**37**
Assets classified as held for sale	**32,817**
Liabilities	
Other payables and accruals	**6**
Deferred tax liabilities	**574**
Liabilities directly associated with the assets classified as held for sale	**580**
Net assets directly associated with the disposal group	**32,237**

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
31 December 2014								
At 31 December 2013 and 1 January 2014:								
Cost	144,154	3,500	2,729	10,069	3,532	11,024	1,294	176,302
Accumulated depreciation	(31,901)	(2,938)	(2,729)	(8,422)	(2,367)	(7,399)	(1,085)	(56,841)
Net carrying amount	112,253	562	–	1,647	1,165	3,625	209	119,461
At 1 January 2014, net of accumulated depreciation	112,253	562	–	1,647	1,165	3,625	209	119,461
Additions	–	122	–	247	–	65	–	434
Assets included as held for sale (note 13)	(29,544)	–	–	–	–	–	–	(29,544)
Depreciation provided during the year	(2,959)	(159)	–	(411)	(495)	(717)	(105)	(4,846)
At 31 December 2014, net of accumulated depreciation	79,750	525	–	1,483	670	2,973	104	85,505
At 31 December 2014:								
Cost	108,846	3,622	–	9,177	3,074	10,720	652	136,091
Accumulated depreciation	(29,096)	(3,097)	–	(7,694)	(2,404)	(7,747)	(548)	(50,586)
Net carrying amount	79,750	525	–	1,483	670	2,973	104	85,505
31 December 2013								
At 1 January 2013:								
Cost	144,154	2,872	2,729	10,066	2,843	15,989	6,251	184,904
Accumulated depreciation	(28,879)	(2,804)	(2,728)	(8,265)	(2,225)	(12,879)	(5,877)	(63,657)
Net carrying amount	115,275	68	1	1,801	618	3,110	374	121,247
At 1 January 2013, net of accumulated depreciation	115,275	68	1	1,801	618	3,110	374	121,247
Additions	–	628	–	327	1,069	1,323	–	3,347
Disposals	–	–	–	(14)	–	(1)	–	(15)
Depreciation provided during the year	(3,022)	(134)	(1)	(467)	(522)	(807)	(165)	(5,118)
At 31 December 2013, net of accumulated depreciation	112,253	562	–	1,647	1,165	3,625	209	119,461
At 31 December 2013:								
Cost	144,154	3,500	2,729	10,069	3,532	11,024	1,294	176,302
Accumulated depreciation	(31,901)	(2,938)	(2,729)	(8,422)	(2,367)	(7,399)	(1,085)	(56,841)
Net carrying amount	112,253	562	–	1,647	1,165	3,625	209	119,461

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

The net carrying amount of land and buildings shown above comprises:

	Group	
	2014	2013
	HK$'000	HK$'000
Land and buildings situated in Hong Kong:		
Long term leases	**29,394**	60,308
Medium term leases	**4,961**	5,119
	34,355	65,427
Buildings situated in Mainland China:		
Medium term leases	**45,395**	46,826
	79,750	112,253

Certain of the Group's land and buildings were pledged to banks to secure general banking facilities granted to the Group (note 30).

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**13,342**	13,743
Recognised during the year	**(402)**	(401)
Carrying amount at 31 December	**12,940**	13,342
Current portion	**(402)**	(402)
Non-current portion	**12,538**	12,940

The leasehold land is situated in Mainland China and is held under a medium term lease.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**47,890**	47,890

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand or within one year.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Empire New Assets Limited ("Empire New Assets")*	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$100	–	100	Property holding
Genius Spring Limited	BVI/Hong Kong	Ordinary US$100	–	100	Treasury investment
King Place**	BVI/Hong Kong	Ordinary US$100	–	100	Property holding
Onestep Enterprises Limited#	BVI	Ordinary US$100	–	100	Investment holding
Permate Production Inc.#	BVI	Ordinary US$20	–	100	Property holding
Qualipak Development Limited#	BVI	Ordinary US$10,000	100	–	Investment holding
Qualipak Manufacturing Limited###	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	100	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Qualipak Production Inc.#	BVI	Ordinary US$10,000	–	100	Property holding
Qualipak Production (Shenzhen) Company Limited***/## (確必達包裝製造(深圳)有限公司)	PRC	Registered and paid-up US$1,000,000	–	100	Manufacture and sale of packaging products
Theme Production House Limited	Hong Kong	Ordinary HK$1,000,000	–	51	Trading of display units
Winning Hand Management Limited	BVI/ Mainland China	Ordinary US$1	–	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	–	100	Property holding

Notes:

These are either investment holding companies or dormant companies which have no specific principal place of operations.

These companies are registered as wholly-owned foreign enterprises under the PRC law.

The statutory financial statements of the subsidiary are audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* Expected to be disposed of in 2015 (note 37(b)).

** Expected to be disposed of in 2015 (note 13).

*** Direct translation from the Chinese name which is for identification purposes only.

^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting.

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

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests of Theme Production House Limited	**49%**	49%

	2014 HK$'000	2013 HK$'000
Profit for the year allocated to non-controlling interests of Theme Production House Limited	**1,041**	3,497
Dividend paid to non-controlling interests of Theme Production House Limited	**–**	4,165
Accumulated balances of non-controlling interests of Theme Production House Limited at the reporting date	**1,974**	933

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before inter-company eliminations:

	2014 HK$'000	2013 HK$'000
Revenue	**82,424**	103,148
Total expenses	**(80,299)**	(96,011)
Profit and total comprehensive income for the year	**2,125**	7,137
Current assets	**15,712**	17,045
Non-current assets	**139**	86
Current liabilities	**(11,822)**	(15,227)
Net cash flows from/(used in) operating activities	**(183)**	6,306
Net cash flows used in investing activities	**(89)**	(4)
Net cash flows used in financing activities	**–**	(8,500)
Net decrease in cash and cash equivalents	**(272)**	(2,198)

17. INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**–**	1,135
Goodwill on acquisition	**31,438**	31,438
	31,438	32,573
Provision for impairment	**(31,438)**	(31,438)
	–	1,135

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited	BVI	Ordinary shares of US$1 each	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design and trading of wine openers, knives and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design and trading of wine openers, knives and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design and trading of wine openers, knives and kitchenware
Technical (Shenzhen) Trading Company Limited* (家品店（深圳）貿易有限公司)	PRC	Registered and paid-up RMB500,000	30	Design and trading of wine openers, knives and kitchenware

* Direct translation from the Chinese name which is for identification purposes only.

All the above associates are held by a wholly-owned subsidiary of the Company and were not audited by Ernst & Young, Hong Kong or other member firm of the Ernst & Young global network. They have been accounted for using the equity method in these financial statements.

During the year, the Group discontinued the recognition of its share of losses of associates because the share of losses of the associates exceeded the Group's interest in the associates and the Group has no obligation to take up future losses. The amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were HK$574,000 (2013: Nil).

17. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the associates' profit/(loss) for the year	**(1,135)**	24
Share of the associates' total comprehensive income	**(1,135)**	24
Aggregate carrying amount of the Group's investments in associates	**–**	1,135

The Group's associates had no contingent liability or capital commitment as at 31 December 2014 and 2013.

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Listed equity investments, at fair value:		
Hong Kong	**77,416**	–

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1,522,000 (2013: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$72,608,000.

19. INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Raw materials	**9,327**	11,412
Work in progress	**12,774**	13,236
Finished goods	**15,658**	16,938
	37,759	41,586

20. TRADE AND BILLS RECEIVABLES

	Group 2014 HK$'000	2013 HK$'000
Trade and bills receivables	**50,701**	53,634
Impairment	**(340)**	(339)
	50,361	53,295

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2014 HK$'000	2013 HK$'000
Within 1 month	**25,566**	27,380
1 to 2 months	**13,673**	17,870
2 to 3 months	**6,919**	6,026
Over 3 months	**4,203**	2,019
	50,361	53,295

The movements in provision for impairment of trade receivables are as follows:

	Group 2014 HK$'000	2013 HK$'000
At 1 January	**339**	1,055
Impairment losses recognised	**62**	48
Amount written off as uncollectible	**(61)**	(374)
Impairment losses reversed	**–**	(390)
	340	339

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK$340,000 (2013: HK$339,000) with a carrying amount before provision of HK$340,000 (2013: HK$435,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default for principal payments.

20. TRADE AND BILLS RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**34,469**	36,828
Less than 1 month past due	**9,858**	12,610
Over 1 month past due	**6,034**	3,761
	50,361	53,199

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**4,857**	981	**275**	293
Deposits	**2,654**	2,697	**–**	–
Other receivables	**68**	432	**–**	3
	7,579	4,110	**275**	296

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**37,034**	64,416	**199**	1,466
Time deposits	**3,023**	23,628	**–**	16,086
	40,057	88,044	**199**	17,552
Less: Pledged time deposits (Note)	**(3,023)**	(7,542)	**–**	–
Cash and cash equivalents	**37,034**	80,502	**199**	17,552

Note: The time deposits were pledged to secure general banking facilities granted to the Group's associates (note 30).

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$15,124,000 (2013: HK$6,152,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**29,160**	25,170
1 to 2 months	**6,688**	6,203
2 to 3 months	**1,843**	524
Over 3 months	**176**	34
	37,867	31,931

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits received	**18,168**	13,786	**–**	–
Other payables	**177**	145	**80**	–
Accruals	**11,883**	11,237	**1,438**	2,387
	30,228	25,168	**1,518**	2,387

Other payables are non-interest-bearing and are normally settled within three months.

25. DEFERRED TAX LIABILITIES

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

Group

	Depreciation allowances in excess of related depreciation HK$'000
At 1 January 2013	1,538
Deferred tax credited to profit or loss during the year (note 9)	(16)
At 31 December 2013 and 1 January 2014	**1,522**
Deferred tax charged to profit or loss during the year (note 9)	**20**
Transfers to the disposal group (note 13)	**(574)**
At 31 December 2014	**968**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China do not have any unremitted retained earnings as at 31 December 2014.

The Group had tax losses arising in Hong Kong of HK$359,000 (2013: HK$211,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$306,000 (2013: HK$1,296,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

Shares

	2014 **HK$'000**	2013 HK$'000
Authorised: 1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid: 143,765,993 ordinary shares of HK$0.10 each	**14,377**	14,377

There was no movement in the Company's share capital during the year.

Note:

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision has been completed on 2 January 2015.

Pursuant to another resolution passed by the shareholders of the Company at the same special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved a bonus issue (the "Bonus Issue") of the new subdivided shares on the basis of one bonus share for every one subdivided share held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Bonus Issue. The Bonus Issue has been completed on 15 January 2015.

As a result of the Share Subdivision and Bonus Issue, the issued share capital of the Company was therefore increased from 143,765,993 shares of HK$0.10 each to 2,875,319,860 shares of HK$0.01 each accordingly.

Details of the Share Subdivision and Bonus Issue are disclosed in the Company's announcements and circular dated 2 December 2014, 9 December 2014 and 12 December 2014, respectively, and note 37(a) to the financial statements.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24.

(b) Company

	Share premium account HK$'000	**Contributed surplus HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2013	18,733	34,951	204	53,888
Profit for the year and total comprehensive income for the year	–	–	381	381
At 31 December 2013 and 1 January 2014	**18,733**	**34,951**	**585**	**54,269**
Profit for the year and total comprehensive income for the year	**–**	**–**	**37,932**	**37,932**
At 31 December 2014	**18,733**	**34,951**	**38,517**	**92,201**

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted since the adoption of the Scheme.

29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:				
A subsidiary	**–**	–	**42,000**	42,000
Associate	**4,500**	–	**4,500**	–
	4,500	–	**46,500**	42,000

At 31 December 2014, the banking facilities granted to a subsidiary subject to guarantees given to banks by the Company were not utilised (2013: Nil), and the banking facilities guaranteed by the Group to an associate were utilised to the extent of approximately HK$4,500,000 (2013: Nil).

30. PLEDGE OF ASSETS

At 31 December 2014, the Group pledged certain of its land and buildings with an aggregate carrying amount of HK$34,355,000 (2013: HK$35,240,000) as securities for general banking facilities granted to the Group.

At 31 December 2014, the Group pledged deposits with an aggregate carrying amount of HK$3,023,000 (2013: HK$7,542,000) as securities for general banking facilities granted to the Group's associates.

The Company did not pledge any of its assets as at 31 December 2014 and 2013.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its property (note 13 to the financial statements) under an operating lease arrangement, with the lease negotiated for a term of three years. The term of the lease generally also requires the tenant to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**508**	960
In the second to fifth years, inclusive	**–**	508
	508	1,468

31. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its manufacturing plants and car parks under operating lease arrangements. The leases for the manufacturing plants and car parks are negotiated for a term of one year.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**241**	173

32. COMMITMENTS

Other than the operating lease commitments detailed in note 31(b) above, neither the Group nor the Company had any significant commitments as at 31 December 2014 and 2013.

33. RELATED PARTY TRANSACTIONS

(a) Operating lease arrangement with a related party:

	Group	
	2014	2013
	HK$'000	HK$'000
Rental income receivable from an entity which is under common control of the then controlling shareholder of the Company	**717**	960

Note:

On 20 June 2012, a subsidiary of the Group entered into a three-year agreement ending 11 July 2015 with C C Land Management Limited ("CCLM"), a company under common control of the then controlling shareholder of the Company, to lease office premises in Hong Kong. The amount of the future minimum lease receivable as a lessor is included in note 31(a) to the financial statements.

On 29 September 2014, CCLM ceased to be a related party of the Group, as Mr. Cheung Chung Kiu, the then controlling shareholder, had disposed of 40.61% of the entire issued share capital of the Company, and this transaction ceased to constitute a related party transaction from 29 September 2014 onwards. As a result, only the relevant rental income amounting to HK$717,000 for the period between 1 January 2014 and 29 September 2014 constituted a related party transaction during the year ended 31 December 2014.

(b) Compensation of key management personnel of the Group

Details of directors' emoluments are included in note 7 to the financial statements.

All of the above related party transactions do not constitute any connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

34. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for available-for-sale investments which are measured at fair value, the financial assets and liabilities of the Company and the Group as at 31 December 2014 and 2013 are loans and receivables, and financial liabilities at amortised cost, respectively.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of pledged deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Assets measured at fair value:

Group

Fair value measurement using quoted prices in active markets (Level 1)

At 31 December

	2014 **HK$'000**	2013 HK$'000
Available-for-sale investments:		
Equity investments	**77,416**	–

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: None).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has currency exposure as the majority of its sales of packaging products were denominated in US$, which is pegged to HK$. On the other hand, the expenses or expenditures incurred in the operations of the manufacturing plants were mainly denominated in RMB, which expose the Group to foreign currency risk.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against US$ and HK$ may have impact on the operating results of the Group.

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has entered into cross currency swaps with a bank in an effort to reduce the Group's exposure to foreign currency exchange risk. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2014		
If HK$ weakens against RMB	**3**	**145**
If HK$ strengthens against RMB	**(3)**	**(145)**
2013		
If HK$ weakens against RMB	3	(2)
If HK$ strengthens against RMB	(3)	2

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables and other receivables as disclosed in notes 20 and 21 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its business operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or less than 3 months HK$'000
At 31 December 2014	
Trade and bills payables	**37,867**
Other payables and accruals	**12,060**
	49,927

	On demand or less than 3 months HK$'000
At 31 December 2013	
Trade and bills payables	31,931
Other payables and accruals	11,382
	43,313

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 3 months HK$'000
At 31 December 2014	
Other payables and accruals	**1,518**

	On demand or less than 3 months HK$'000
At 31 December 2013	
Due to subsidiaries	1,600
Accruals	2,387
	3,987

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 18) as at 31 December 2014.

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2014 HK$'000	**High/low 2014**	1 January 2014 HK$'000
Hong Kong – Hang Seng Index	**23,605**	**25,318/21,182**	23,306

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments HK$'000	**Increase/ (decrease) in price %**	**Increase/ (decrease) in equity HK$'000**
2014			
Equity securities listed in Hong Kong:			
Available-for-sale	**77,416**	**19.52**	**15,112**
Available-for-sale	**77,416**	**(19.52)**	**(15,112)**

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes trade and bills payables and other payables and accruals, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. Adjusted capital includes equity attributable to owners of the parent plus net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Trade and bills payables	**37,867**	31,931
Other payables and accruals	**30,228**	25,168
Less: Cash and cash equivalents	**(37,034)**	(80,502)
Net debt	**31,061**	(23,403)
Equity attributable to owners of the parent	**273,055**	261,201
Adjusted capital	**304,116**	237,798
Net debt-to-adjusted capital ratio	**0.10**	N/A

37. EVENTS AFTER REPORTING PERIOD

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK$0.01 each. The Share Subdivision has been completed on 2 January 2015.

Pursuant to another ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved the Bonus Issue of new subdivided shares on the basis of one bonus share for every one subdivided share held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Bonus Issue. The Bonus Issue has been completed on 15 January 2015.

As a result of the Share Subdivision and Bonus Issue, the issued share capital of the Company was therefore increased from 143,765,993 shares of HK$0.10 each to 2,875,319,860 shares of HK$0.01 each accordingly.

Details of the Share Subdivision and Bonus Issue were set out in the Company's circular dated 12 December 2014.

(b) On 16 February 2015, the Group entered into a conditional agreement with an independent third party to dispose of its entire equity interest in Empire New Assets at a consideration of HK$90,000,000 and the transaction is expected to complete in 2015.

Details of the disposal of Empire New Assets are set out in the Company's announcement dated 16 February 2015.

37. EVENTS AFTER REPORTING PERIOD *(Continued)*

(c) On 18 February 2015, the Group entered into a memorandum of understanding (the "MOU") with Mistler Investments Limited ("Mistler"), a company beneficially owned by Ms. Long Wei Betty, an independent third party, for a possible acquisition of the entire issued capital in Sebbington Investments Limited, a company incorporated in the BVI and wholly owned by Mistler, which owns a 97% interest in Shanghai PN Stone Company Limited（上海博恩世通光電股份有限公司）, a company established in the PRC and principally engaged in the research, development, production and distribution of light-emitting diode ("LED") epitaxial wafers and display chips, backlight chips（外延片和顯示用芯片、背光源芯片）, high power LED chips（高亮度大功率照明芯片）and solid-state lighting products（半導體照明產品）in the PRC.

The possible acquisition is still in discussion and the MOU does not create legally binding obligations as at the date of approval of these financial statements. Details of the possible acquisition are set out in the Company's announcement dated 18 February 2015.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2015.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**397,040**	436,402	389,304	418,660	391,052
PROFIT BEFORE TAX	**13,156**	19,712	26,171	46,421	35,519
Income tax expense	**(1,766)**	(2,780)	(3,256)	(4,931)	(4,091)
PROFIT FOR THE YEAR	**11,390**	16,932	22,915	41,490	31,428
Attributable to:					
Owners of the parent	**10,349**	13,435	20,341	37,828	27,378
Non-controlling interests	**1,041**	3,497	2,574	3,662	4,050
	11,390	16,932	22,915	41,490	31,428

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**345,542**	321,159	311,137	288,933	312,122
Total liabilities	**(70,513)**	(59,025)	(61,829)	(122,439)	(184,086)
Non-controlling interests	**(1,974)**	(933)	(1,601)	(2,457)	(2,225)
	273,055	261,201	247,707	164,037	125,811

The summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements and the Company's prospectus.