



S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

SAS

ANNUAL
REPORT 2014



鏡報主辦



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(*Chairman and Managing Director*)
Mr. Wong Sui Chuen
Mr. Lock Shui Cheung
Mr. Lau Ping Cheung
Mr. Yim Tsz Kit, Jacky

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred
Mr. Cheung Chi Kwan

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Dr. Lui Ming Wah *SBS JP*
Mr. Cheung Chi Kwan

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Mr. Wong Sui Chuen
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopwell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

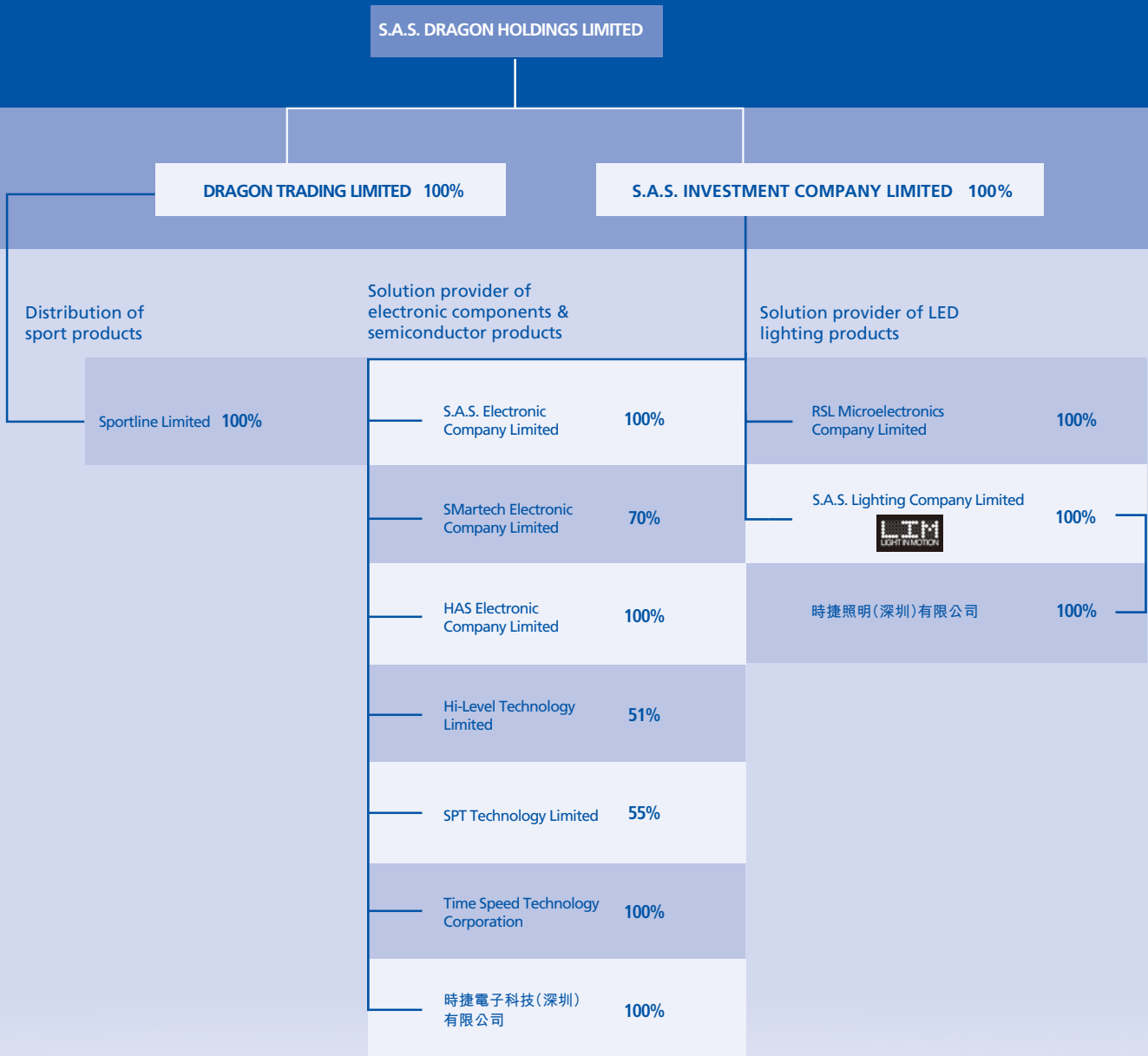
WEBSITE

<http://www.sasdragon.com.hk>

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

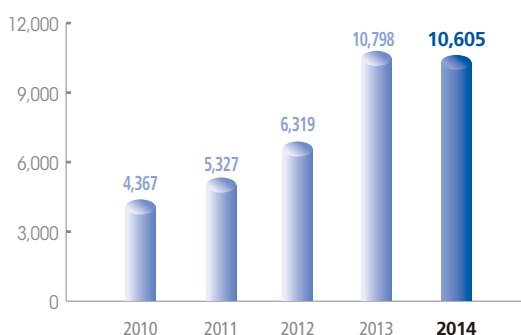
GROUP STRUCTURE



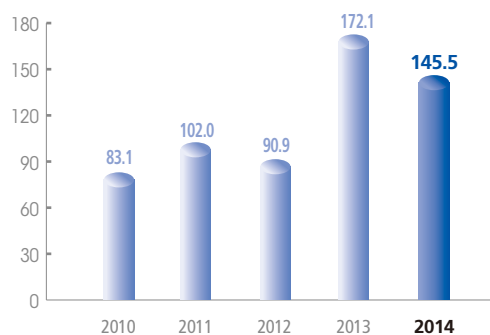
FINANCIAL HIGHLIGHTS

	2014	2013	Change
Revenue (HK\$ million)	10,605	10,798	-1.8%
Profit attributable to owners of the Company (HK\$ million)	145.5	172.1	-15.5%
Basic earnings per share (HK cents)	24.35	32.52 [#]	-25.1%
Dividend per share (HK cents)			
– Final proposed	9.00	10.00 [#]	-10.0%
– Interim paid	3.00	3.25 [#]	-7.7%
– Special paid	–	1.75 [#]	N/A
Total	12.00	15.00 [#]	-20.0%

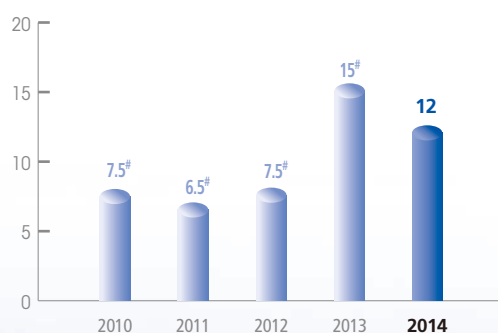
Revenue
(HK\$'million)



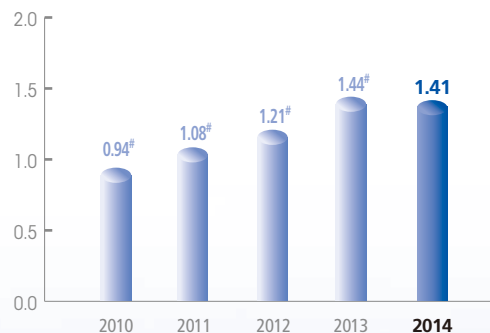
Profit attributable to owners of the Company
(HK\$'million)



Dividend per share
(HK cents)



Net asset value per share
(HK\$)



[#] As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.

Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, S.A.S. GROUP IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA REGION. The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panel, memory chips, light-emitting diode (“LED”) lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer, telecommunication, networking, IoT home automation and LED lighting products. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 electronics manufacturing services (“EMS”) providers, original equipment manufacturers, original design manufacturers and valued-added resellers and has more than 15 sales offices in China, Hong Kong and Taiwan.

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group achieved sales revenue of HK\$10,605,352,000, dropped 1.8% from HK\$10,797,607,000 recorded last year. Gross profit was HK\$404,902,000, dropped 8.6% from HK\$442,978,000 recorded last year. Gross profit margin was 3.8%, declined from 4.1% recorded last year. Net profit for the year was HK\$145,479,000, decreased 15.5% compared with HK\$172,134,000 recorded last year. Basic earnings per share was HK24.35 cents (2013: HK32.52 cents, restated for the issue of the bonus share on the basis of one bonus share for one ordinary share in 2014).

DIVIDENDS

The Board has recommended a final dividend of HK9.00 cents per share for the year ended 31 December 2014 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK3.00 cents per share already paid, total dividend per share for the year will amount to HK12.00 cents (2013: total HK15.00 cents, as restated for the issue of the bonus share on the basis of one bonus share for one ordinary share in 2014).

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

Due to keen market competition during transition from 3G to 4G mobile products in the PRC domestic market, the Group's mobile phone segment revenue was adversely affected and overall electronic components distribution recorded sales revenue of HK\$10.6 billion for the year ended 31 December 2014, down 1.8% from HK\$10.8 billion recorded last year.

Mobile Phone

According to International Data Corporation, the worldwide smartphone market shipped a total of 1,301.1 million units in 2014, up 27.6% from the 1,019.4 million units shipped in 2013. Replacement of feature phones by smartphones in emerging markets remains the key driver of smartphone growth. However, the rising popularity of 4G smartphones weakened the demand for 3G smartphones and in turn led to fierce competition among the selling prices and margins of the 3G smartphone market in the PRC.

Amid the challenging mobile market, the Group recorded largest segment revenue in mobile phone segment by delivering competitive baseband processors, larger and high resolution panels, larger storage memory, high resolution camera modules, more sensible touch panel as well as multi-function motion sensors and related driver ICs solutions to those branded handset manufacturers, design houses and module factories in the Greater China region. Also, to further extend our one stop solution coverage, during the second half of 2014, the Group started to promote Oberthur mobile payment solution to our customers and obtained positive responses.

CHAIRMAN'S STATEMENT

Consumer Electronic


During the year under review, high definition 4K2K smart TVs, tablets, electronic learning devices as well as smart set-top boxes remain the Group's focus and it generated second largest segment revenue from the consumer electronic segment by delivering competitive baseband processors, larger and high resolution panels, larger storage memory, high resolution camera modules as well as multi-function motion sensors and related driver ICs solutions to those branded TV and tablet manufacturers in the Greater China region. Also, to further extend our one stop solution coverage, the Group successfully promoted and shipped a number of high definition display processing solutions to those aerial filming aircraft and sport camera manufacturers during the second half of 2014.

IoT, Telecommunication and Networking

IoT ("Internet of Things") is next trillion USD market in the next 5 years. We are proven to provide the all-round technology support to all sort of RF requirement and focus on the major connectivity technology such as WiFi, Bluetooth and Zigbee. With our integration capability of system on chip, radio frequency module, APPs and cloud computing, we delivered million set of connectivity solutions to those networking equipment manufacturers and system integrators during the year under review.

Also, we launched our new brand "Life In Motion"  to provide total home and commercial automation product solutions to control and monitor dozens of home and commercial devices by one simple interface and obtained positive responses from a number of property developers during the year under review.

LED Lighting

Despite the slowdown of property and retail markets in China and Hong Kong, the Group extended its footprint and completed more commercial indoor and outdoor LED lighting installation projects with smart control systems for property developers, hotels, banks, shopping malls, retail shops, offices and factories in the Asia Pacific region under our brand "Light In Motion" .

By leveraging the Group's engineering expertise to deliver one-stop LED lighting solutions, the Group achieved sales revenue under the LED lighting business of approximate HK\$418 million for the year ended 31 December 2014, representing a gentle growth compared with HK\$411 million recorded in last year.

Cloud Computing

To be better prepared for the next mega trends, the Group participated in the joint venture with TCL Corporation and Cisco, jointly invest in enterprise cloud services platform to the in-depth exploration and development in cloud computing, next-generation video communications and interaction technologies in the second half of 2014.

E-Commence

In order to provide comprehensive online and offline services to our customers, the Group started to develop its own transaction-based e-commerce platform "sasdragonmall.com" in late 2014 and targeted to launch such platform in 2015.

Properties investment

As of 31 December 2014, the Group carried the 7 units of investment properties (31 December 2013: 6 units). The aggregate carrying value of investment properties amounted to HK\$270 million (31 December 2013: HK\$193 million).

The Group started to rent out its PRC Dongguan factory premise in October 2014. The above investment properties altogether generated rental income of HK\$6.7 million (2013: HK\$5.8 million) with an annualized return of 2.5% (2013: 3.0%).

OUTLOOK

Looking ahead, we are still cautiously optimistic about our business outlook.

We are confident to record organic growth of our core distribution business in 2015 after successfully formed partnership with more renowned suppliers like Adesto, Cirrus Logic, HiDeep, LRC, Oberthur and Seoul Semiconductor during the second half of 2014 and beginning of 2015.

At the same time, the Group will continue to deepen its sales penetration in Hon Hai Group and expected to get more order allocation from Hon Hai Group in 2015.

We believe those IT hardware likes smartphones, tablets, smart watch and bracelets, smart home control devices and networking products will be the core for next mega trends such as cloud computing, IoT and big data mining and we are bullish for the future demand of electronic components, smart home and lighting products as well as cloud-related services.

We have confidence that the Group will perform competitively in the Greater China region by virtue of our economies of scales, solid customer relations supported by our strong localized sales and field application engineers, competent inventory management and other value added services. Meanwhile, the Group will continue to adopt measures to reduce expenditure, control costs in a proactive manner with the aim of strengthening the operation efficiency of the Group.

To improve our operation and logistic efficiency, we acquired a premise at Kwai Chung, Hong Kong for HK\$222.8 million in October 2014 and will re-develop a new intelligent building for our Hong Kong headquarter and warehouse center within the next 3 years.

To be the leading electronic component distributor in Hong Kong, we will continue to pursue a healthy and sustainable business growth and are confident to generate more returns to our shareholder.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Yim Yuk Lun, Stanley JP
Chairman

Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2014, the Group's current ratio was 116% (31 December 2013: 121%). The Group's net gearing ratio was 107% (31 December 2013: 28%), defined as the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK\$1,068,077,000 (31 December 2013: HK\$246,366,000) over total equity of HK\$1,000,744,000 (31 December 2013: HK\$878,399,000). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to develop more agency business with Hon Hai group on 31 December 2014.

The Group recorded debtors turnover of approximately 47 days for the year under review (2013: 30 days) based on the amount of trade and bills receivable as at 31 December 2014 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 31 days and 26 days respectively for the year under review (2013: approximately 23 days and 31 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2014, divided by cost of sales for the same year and multiplied by 365 days.

In 2014, the Group recorded net operating cash outflow of HK\$716,119,000 compared with net operating cash inflow of HK\$251,572,000 in 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2014, the Group employed approximately 500 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 55, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group's management team. Mr. Yim was appointed as independent director of Innolux Corporation, a listed company in the Taiwan Stock Exchange, on 19 June 2013. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Hong Kong Professionals and Senior Executives Association, a member of Yan Chai Hospital Advisory Board, the chairman of School Management Committee of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, a member of Shanghai Committee of Chinese People's Political Consultative Conference, a member of Yun Fu City Committee of Chinese People's Political Consultative Conference, the chairman of Fight Crime Committee of Tsuen Wan District and Honorary President of Tsuen Wan District JPC.

Mr. Wong Sui Chuen, aged 61, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Lock Shui Cheung, aged 52, was appointed as an Executive Director of the Company in 2010. He holds a higher diploma in Marine Electronics from Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of Hull, England. He has more than twenty years sales and management experience in electronic components distribution business with various global companies including Toshiba Electronics, National Semiconductor and Arrow Electronics.

Mr. Lau Ping Cheung, aged 44, was appointed as an Executive Director of the Company in 2011. He joined S.A.S. Electronic Company Limited, a wholly owned subsidiary of the Company in 2002 and is currently the Sales Vice President of S.A.S. Electronic Company Limited. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over twenty years experience in electronic field on sales, marketing and R&D project development.

Mr. Yim Tsz Kit, Jacky, aged 30, was appointed as an Executive Director of the Company in 2013. He joined the Group in 2009 and is currently as the Director of S.A.S. Lighting Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley JP, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 77, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-Tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Wong Tak Yuen, Adrian, aged 60, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial industry.

Mr. Liu Chun Ning, Wilfred, aged 53, was appointed as an Independent Non-Executive Director of the Company in 2001. He is a non-executive director of Liu Chong Hing Investment Limited, a listed company in the Hong Kong Stock Exchange. He was appointed as executive director of Chong Hing Bank Limited during 1998 to February 2014 and independent non-executive director of Get Nice Holdings Limited during May 2002 to August 2014, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 55, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Wang Yi, Michael, aged 48, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 48, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

Mr. Chang Wei Hua, Benson, aged 50, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He graduated from Tunghan University in Taiwan with a Bachelor's degree in Electronics Engineering. He has more than twenty years management experience in electronic field on sales, marketing and R & D project.

Mr. Wei Wei, aged 45, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He graduated from Huazhong University of Science & Technology in WuHan with a Bachelor's degree in Electronics Engineering. He has more than eighteen years management experience in electronics field on sales, marketing and R & D project.

Mr. Chin Kan Tak, Danny, aged 58, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 43, joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over fifteen years experience in accounting, auditing, taxation and financial management.

CORPORATE GOVERNANCE REPORT

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 5 executive directors, namely Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen, Mr. Lock Shui Cheung, Mr. Lau Ping Cheung and Mr. Yim Tsz Kit, Jacky and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely Dr. Lui Ming Wah *SBS JP*, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred and Mr. Cheung Chi Kwan. Mr. Yim Tsz Kit, Jacky is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2014 fell within the following bands:

	Number of individual 2014
HK\$1,000,001 to HK\$1,500,000	4
Exceeding HK\$1,500,000	2

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

CORPORATE GOVERNANCE REPORT

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Lui Ming Wah *SBS JP*. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2014 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2014, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount HK\$'000
Audit fee	1,415
Non-audit and tax related services	168

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. One meeting has been held during the year under review.

NOMINATION COMMITTEE

The Nomination Committee comprises 3 members namely Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian. One meeting has been held during the year under review.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to sets out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held eight meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") during the year are set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meeting(s)	8	2	1	1	1
Executive Directors					
Yim Yuk Lun, Stanley <i>JP</i>	8/8	N/A	N/A	N/A	1/1
Wong Sui Chuen	8/8	N/A	1/1	1/1	1/1
Lock Shui Cheung	8/8	N/A	N/A	N/A	1/1
Lau Ping Cheung	8/8	N/A	N/A	N/A	1/1
Yim Tsz Kit, Jacky	8/8	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr. Lui Ming Wah <i>SBS JP</i>	8/8	2/2	1/1	N/A	0/1
Wong Tak Yuen, Adrian	8/8	2/2	1/1	1/1	1/1
Liu Chun Ning, Wilfred	8/8	N/A	N/A	N/A	0/1
Cheung Chi Kwan	8/8	2/2	N/A	1/1	1/1

In respect of the code provision A.6.7 of the Code, two non-executive directors were unable to attend the AGM meeting of the Company held on 30 May 2014 due to their unexpected business engagement.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with relevant legislation and regulations. The system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risks of material misstatement, fraud or losses.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a 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 the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong not less than six weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 24.

An interim dividend of HK3.0 cents per share, amounting to approximately HK\$18,728,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK9.0 cents per share to the shareholders on the register of members on 28 May 2015.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 33% and 63%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 16% and 37%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd., a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2014, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK\$269,856,000. The revaluation resulted in a surplus of HK\$40,994,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 15 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2014 are set out on page 104.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in notes 30 and 31(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2014, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK\$125,927,000 (2013: HK\$125,782,000) as disclosed in note 38 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP* (*Chairman and Managing Director*)
Wong Sui Chuen
Lock Shui Cheung
Lau Ping Cheung
Yim Tsz Kit, Jacky

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Wong Tak Yuen, Adrian
Liu Chun Ning, Wilfred
Cheung Chi Kwan

In accordance with Clause 87 of the Company's Bye-Laws, Mr. Lock Shui Cheung, Dr. Lui Ming Wah *SBS JP* and Mr. Liu Chun Ning, Wilfred retire and, being eligible, offer themselves for re-election at the annual general meeting.

The term of office for all directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley JP	Beneficial owner	35,406,000	5.67%
	Held by controlled corporation (Note)	227,542,800	36.45%
		<hr/> 262,948,800	<hr/> 42.12%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%
Lock Shui Cheung	Beneficial owner	1,000,000	0.16%
Lau Ping Cheung	Beneficial owner	1,000,000	0.16%

Note: These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley JP.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2014.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31(a) to the consolidated financial statements.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Number of share options granted during the year and outstanding at 31.12.2014
Employees	3,800,000

Share options granted in September 2014 under the Company's share option scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Held by controlled corporation (Note)	124,000,000	19.86%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.86%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2014.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 37 to the consolidated financial statements,

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 37 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 37 to the consolidated financial statements in accordance with Main Board Listing Rule 14A.56.

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

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

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

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

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 31(a) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the 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.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$128,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 26 March 2015

INDEPENDENT AUDITOR'S REPORT



德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 102, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue	7	10,605,352	10,797,607
Cost of sales		(10,200,450)	(10,354,629)
Gross profit		404,902	442,978
Other income		4,512	5,526
Other gains and losses	10	951	21,351
Distribution and selling expenses		(51,322)	(57,191)
Administrative expenses		(161,959)	(160,646)
Increase in fair value of investment properties		40,994	15,300
Share of loss of associates		(45)	(259)
Share of profit of joint ventures		4,897	3,812
Finance costs	8	(24,419)	(20,894)
Profit before tax		218,511	249,977
Income tax expense	9	(33,457)	(35,952)
Profit for the year	10	185,054	214,025
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale investments		1,012	300
Exchange differences arising on translation of foreign operations		(1,793)	1,073
Share of other comprehensive income of associates		–	8
Share of other comprehensive income of joint ventures		(146)	139
Other comprehensive (expense) income for the year		(927)	1,520
Total comprehensive income for the year		184,127	215,545
Profit for the year attributable to:			
Owners of the Company		145,479	172,134
Non-controlling interests		39,575	41,891
		185,054	214,025
Total comprehensive income attributable to:			
Owners of the Company		144,675	173,595
Non-controlling interests		39,452	41,950
		184,127	215,545
Earnings per share (HK cents)	14		
– basic		HK24.35 cents	HK32.52 cents
– diluted		HK24.35 cents	HK30.72 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Non-current Assets			
Investment properties	15	269,856	192,600
Property, plant and equipment	16	150,480	195,721
Prepaid lease payments	17	–	9,136
Goodwill	18	16,419	16,419
Interests in associates	19	18,723	166
Interests in joint ventures	20	22,522	17,771
Available-for-sale investments	21	34,544	33,542
Club memberships	22	3,278	3,278
Deposit paid for acquisition of property, plant and equipment		35,878	13,598
Deferred tax assets	32	5,284	4,493
		556,984	486,724
Current Assets			
Inventories	23	859,599	660,775
Trade and other receivables	24	1,429,008	928,615
Bills receivable	24	46,592	26,848
Derivative financial instruments	28	612	465
Prepaid lease payments	17	–	199
Financial assets at fair value through profit or loss	25	41,807	24,841
Taxation recoverable		5,485	931
Pledged bank deposits	26	13,553	13,153
Bank balances and cash	26	803,067	614,989
		3,199,723	2,270,816
Current Liabilities			
Trade and other payables	27	623,067	747,868
Bills payable	27	171,021	202,277
Derivative financial instruments	28	22,941	1,926
Tax liabilities		6,982	27,721
Bank borrowings – due within one year	29	1,926,504	899,349
		2,750,515	1,879,141
Net Current Assets		449,208	391,675
Total assets less current liabilities		1,006,192	878,399
Non-current Liabilities			
Deferred tax liabilities	32	5,448	–
Net Assets		1,000,744	878,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTE	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Capital and Reserves			
Share capital	30	62,428	26,494
Share premium and reserves		818,834	736,053
Equity attributable to owners of the Company		881,262	762,547
Non-controlling interests		119,482	115,852
Total Equity		1,000,744	878,399

The consolidated financial statements on pages 24 to 102 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company												Non-controlling interests	Total	
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Other reserve	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	Warrant reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note iv)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	26,214	33,510	1,109	11,145	-	13,519	37,347	1,249	4,699	-	6,504	497,630	632,926	83,802	716,728
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	172,134	172,134	41,891	214,025
Fair value gain on available-for-sale investment	-	-	-	-	-	-	-	300	-	-	-	-	300	-	300
Exchange differences arising on translation of foreign operations															
- subsidiaries	-	-	-	-	-	-	-	-	1,014	-	-	-	1,014	59	1,073
- an associate	-	-	-	-	-	-	-	-	8	-	-	-	8	-	8
- joint ventures	-	-	-	-	-	-	-	-	139	-	-	-	139	-	139
Total comprehensive income for the year	-	-	-	-	-	-	-	300	1,161	-	-	172,134	173,595	41,950	215,545
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,500)	(10,500)
Dividends paid (note 13)	-	-	-	-	-	-	-	-	-	-	-	(49,014)	(49,014)	-	(49,014)
Exercise of warrants	280	5,124	-	-	-	-	-	-	-	-	(364)	-	5,040	-	5,040
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	600	600
At 31 December 2013	26,494	38,634	1,109	11,145	-	13,519	37,347	1,549	5,860	-	6,140	620,750	762,547	115,852	878,399
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	145,479	145,479	39,575	185,054
Fair value gain on available-for-sale investments	-	-	-	-	-	-	-	1,012	-	-	-	-	1,012	-	1,012
Exchange differences arising on translation of foreign operations															
- subsidiaries	-	-	-	-	-	-	-	-	(1,670)	-	-	-	(1,670)	(123)	(1,793)
- joint ventures	-	-	-	-	-	-	-	-	(146)	-	-	-	(146)	-	(146)
Total comprehensive income for the year	-	-	-	-	-	-	-	1,012	(1,816)	-	-	145,479	144,675	39,452	184,127
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,900)	(22,900)
Dividends paid (note 13)	-	(92,082)	-	-	-	-	-	-	-	-	-	-	(92,082)	-	(92,082)
Exercise of warrants	4,720	86,380	-	-	-	-	-	-	-	-	(6,140)	-	84,960	-	84,960
Bonus share issued	31,214	(31,214)	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	400	-	-	400	-	400
Acquisition of additional interest in S.A.S. Energy Management Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	(581)	(581)
Acquisition of additional interest in Time Speed Technology Corporation	-	-	-	-	(19,238)	-	-	-	-	-	-	-	(19,238)	(12,341)	(31,579)
At 31 December 2014	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	2,561	4,044	400	-	766,229	881,262	119,482	1,000,744

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Notes:

- (i) The capital reserve of the Group represents the aggregate of:
 - (a) the reserve of HK\$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and
 - (b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK\$700,000.
- (ii) The contributed surplus of the Group represents the net aggregate of:
 - (a) the credit arising from the reduction of the nominal value of the consolidated shares from HK\$1.00 each to HK\$0.10 each by cancelling HK\$0.90 paid up on each issued share, after a transfer of HK\$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK\$70,510,000.
 - (b) the credit arising from cancellation of the share premium account of HK\$237,881,000, after a transfer of HK\$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK\$57,878,000; and
 - (c) the distribution to shareholders from 2003 to 2010 of HK\$114,869,000.
- (iii) At 31 December 2014, the property revaluation reserve includes an amount of HK\$23,780,000 (2013: HK\$23,780,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK\$13,567,000 (2013: HK\$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.
- (iv) Other reserve includes the difference between the acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries ("NCI difference").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	218,511	249,977
Adjustments for:		
Amortisation of prepaid lease payments	–	199
Change in fair value of derivative financial instruments	11,569	(20,257)
Change in fair value of financial assets at fair value through profit or loss	(795)	1,418
Gain on disposal of financial assets at fair value through profit or loss	(4,323)	(1,574)
Depreciation of property, plant and equipment	16,854	16,629
Dividend income from equity investments	(2,152)	(3,000)
Expenses recognised in respect of equity settled share-based payments	400	–
Finance costs	24,419	20,894
Gain on disposal of property, plant and equipment	(4,439)	(784)
Gain on bargaining purchase	(87)	–
Impairment loss on available-for-sale investment	–	1,172
Impairment loss in respect of goodwill	–	3,973
Impairment loss on interest in an associate	117	–
Increase in fair value of investment properties	(40,994)	(15,300)
Interest income	(457)	(970)
Loss on disposal of available-for-sale investments	1	–
Reversal of allowance of inventories	(350)	(1,682)
Allowance of trade and other receivables	501	3,152
Share of results of associates	45	259
Share of results of joint ventures	(4,897)	(3,812)
Operating cash flows before movements in working capital	213,923	250,294
Increase in inventories	(198,475)	(42,382)
Increase in trade and other receivables	(502,236)	(130,489)
Increase in bills receivable	(19,744)	(17,103)
Decrease in bills payable	(31,256)	(40,328)
(Decrease) increase in trade and other payables	(124,399)	245,770
Cash (used in) generated from operations	(662,187)	265,762
Hong Kong Profits Tax paid	(51,342)	(13,390)
Taiwan Corporate Income Tax paid	(2,590)	(800)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(716,119)	251,572

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
INVESTING ACTIVITIES			
Payment for additions to investment properties under construction		(4,155)	–
Payment for additions to property, plant and equipment		(5,907)	(27,047)
Placement of pledged bank deposits		(400)	(9,192)
Deposit paid for acquisition of property, plant and equipment		(22,280)	(3,998)
(Investment in) proceeds from redemption of structured deposits		(17,640)	6,426
Dividend received from equity investments		2,152	3,000
Interest received		457	970
(Investment in) proceeds on disposal of held-for-trading investment		(16,850)	23,674
Settlements from derivative financial instruments		9,299	13,809
Proceeds on disposal of property, plant and equipment		15,341	894
Proceeds on disposal of available-for-sale investment		9	–
Proceeds on disposal of financial assets at fair value through profit or loss		22,642	–
Payment for acquisition of additional interest in S.A.S. Energy Management Company Limited	40	(494)	–
Payment for acquisition of additional interest in Time Speed Technology Corporation	40	(31,579)	–
Payment for acquisition of an associate	19	(18,720)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(68,125)	8,536
FINANCING ACTIVITIES			
Repayment of bank borrowings		(10,136,754)	(9,820,955)
Dividends paid		(92,082)	(49,014)
Interest paid		(24,419)	(20,894)
Dividend paid to non-controlling shareholders		(22,900)	(10,500)
Bank borrowings raised		11,163,909	9,842,404
Proceeds from exercise of warrants		84,960	5,040
Capital contribution from a non-controlling shareholder		–	600
NET CASH FROM (USED IN) FINANCING ACTIVITIES		972,714	(53,319)
NET INCREASE IN CASH AND CASH EQUIVALENTS		188,470	206,789
CASH AND CASH EQUIVALENTS AT 1 JANUARY		614,989	407,599
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(392)	601
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		803,067	614,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 39.

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

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

Amendments to HKFRS and the new Interpretation

The Group has applied the following amendments to HKFRS and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁵

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

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

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 *Financial Instruments*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments* (Continued)

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

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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.

Non-controlling interests in subsidiaries are presently separately from the Group's equity therein.

Change in the Group's ownership interest in existing subsidiary

Change in the Group's ownership interest in subsidiary that does not result in the Group losing control over the subsidiary is accounted for as equity transaction. The carrying amount of the Group's interest and the non-controlling interest are adjusted to reflect the change in its relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business or an associate is carried at cost less accumulated impairment losses, if any.

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

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 Property, Plant and Equipment from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets other than club memberships (see the accounting policy in respect of club memberships below)

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

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither likely to occur (therefore forming part of the initially net investment in a foreign operation) which are recognised in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club memberships is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 6.

Loans and receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period (ranging from 30 days to 120 days), or observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, bills payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derivative financial instruments

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

Derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

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

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31(a).

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

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

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

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

Warrants granted to directors

For grants of warrants that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of warrants granted at the date of grant is recognised as an expense in full at the grant date when the warrants granted vest immediately, with a corresponding increase in equity (warrant reserve).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that:

- (i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties in Hong Kong.
- (ii) the Group's investment properties in PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the Group is subject to income taxes on the rental income of its investment properties in the People's Republic of China (the "PRC") and deferred taxes on changes in fair value of the investment properties are recognised.

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying value of trade receivables is HK\$1,327,104,000 (2013: HK\$873,528,000) (net of allowance of HK\$6,556,000 (2013: HK\$6,268,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of inventories

The management reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2014, the carrying value of inventories is HK\$859,599,000 (2013: HK\$660,775,000) (net of allowance for inventories of HK\$33,839,000 (2013: HK\$34,189,000)).

Income tax

As at 31 December 2014, unused tax losses of the Group amounted to HK\$98,339,000 (2013: HK\$97,303,000), of which HK\$25,385,000 (2013: HK\$24,334,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining HK\$72,945,000 (2013: HK\$72,969,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts and inventories of the Group which amounted to HK\$10,150,000 (2013: HK\$10,150,000), a deferred tax asset has been recognised in respect of HK\$5,888,000 (2013: HK\$5,888,000). No deferred tax asset has been recognised in respect of the remaining HK\$4,262,000 (2013: HK\$4,262,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Financial assets		
Fair value through profit or loss Held-for-trading	24,315	24,841
Designated at FVTPL	17,492	–
Loans and receivables (including cash and cash equivalents)	2,238,191	1,570,796
Available-for-sale investments	34,544	33,542
Derivative financial instruments	612	465
Financial liabilities		
Amortised cost	2,679,376	1,802,670
Derivative financial instruments	22,941	1,926

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, bills receivable, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		Assets	
	31.12.2014 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	31.12.2013 HK\$'000
United States dollars ("USD")	863,243	463,336	1,000,696	509,996
Renminbi ("RMB")	–	–	17,080	26,726
Hong Kong dollars ("HKD")	92,686	57,778	–	–

Included in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2014 HK\$'000	31.12.2013 HK\$'000
USD	8,414	8,183

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

The carrying amount of foreign exchange forward contract as at year end amounted to HK\$612,000 (2013: HK\$465,000) and HK\$22,941,000 (2013: Nil) classified as current assets and current liabilities, respectively, in which the Group was in the position of buying USD with notional amount of USD64,400,000 (2013: USD25,510,000).

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HKD against RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2013: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances. 5% (2013: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2013: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
Increase in profit	713	1,116

No sensitivity analysis was prepared in relation to the currency risk of financial assets at fair value through profit or loss as the directors consider the exposure is limited.

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 26 and 29 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2013: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2013: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2013: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease by approximately HK\$3,280,000 if interest rate is higher/increase; would increase by approximately HK\$3,503,000 if interest rate is lower (2013: decrease by approximately HK\$896,000/increase by approximately HK\$1,489,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in structured deposits classified as financial assets designated at FVTPL, listed equity securities and unlisted equity funds and securities classified as available-for-sale investments. For the available-for-sale investments stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments, the quoted price of the equity funds, and the mark to market valuation amount of the structured deposits provided by financial institutions (which are the counterparties of the structured deposits) had been 5% (2013: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK\$1,745,000 (2013: HK\$1,037,000) as a result of the changes in fair value of financial assets through profit or loss; and
- the investment revaluation reserve would increase/decrease by approximately HK\$1,427,000 (2013: HK\$1,377,000) stated at fair value as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on structured deposits classified as financial assets at FVTPL, bank balances, bank deposits and bills receivable is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk on its largest customer which represents 25% (2013: 1%) of the total trade receivables balances.

Other than concentration of credit risk on bank balances and structured deposits classified as financial assets at fair value through profit or loss, which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on other financial assets and trade receivables, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised overdraft and bank loan facilities of HK\$24,000,000 (2013: HK\$24,000,000) and HK\$4,131,608,000 (2013: HK\$2,913,976,000), respectively.

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

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
31.12.2014							
Non-derivative financial liabilities							
Trade and other payables	-	542,613	32,083	626	6,529	581,851	581,851
Bills payable	-	171,021	-	-	-	171,021	171,021
Bank borrowings – variable rate	*1.57	1,926,504	-	-	-	1,926,504	1,926,504
		2,640,138	32,083	626	6,529	2,679,376	2,679,376
Derivatives – net settlement							
Foreign exchange forward contracts	-	-	-	-	22,941	22,941	22,941

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
31.12.2013							
Non-derivative financial liabilities							
Trade and other payables	-	658,518	31,532	10,944	50	701,044	701,044
Bills payable	-	196,039	6,238	-	-	202,277	202,277
Bank borrowings – variable rate	*1.57	899,349	-	-	-	899,349	899,349
		1,753,906	37,770	10,944	50	1,802,670	1,802,670
Derivatives – net settlement							
Interest rate swap	-	-	-	1,926	-	1,926	1,926

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$1,926,504,000 (2013: HK\$899,349,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2014							
Bank borrowings – variable rate	1.57	1,742,470	86,448	100,476	–	1,929,394	1,926,504
As at 31 December 2013							
Bank borrowings – variable rate	1.57	759,252	88,540	53,581	14,703	916,076	899,349

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input
	31.12.2014	31.12.2013			
Financial assets designated at fair value through profit or loss					
Listed equity securities	HK\$15,901,000	HK\$16,658,000	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity funds	HK\$8,414,000	HK\$8,183,000	Level 1	Quoted bid prices in an active market	N/A
Structured deposit	HK\$17,492,000	–	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Available-for-sale investments					
Club debenture	HK\$2,997,000	HK\$2,997,000	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Listed equity securities	HK\$25,546,000	HK\$24,545,000	Level 1	Quoted bid price in an active market	N/A
Derivative financial instruments					
Foreign currency forward contracts	Assets HK\$612,000	Assets HK\$465,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
	Liabilities HK\$22,941,000	Liabilities –			
Interest rate swap	–	Liabilities HK\$1,926,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

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

The directors consider that the carrying amounts of other financial assets and financial liabilities that are recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in consumer electronic products, mobile phone products, computer products, telecommunication products and lighting products, properties investments and distribution of sport products.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue from major business products and services

The following is an analysis of the Group's revenue from its major business products and services:

	2014 HK\$'000	2013 HK\$'000
Distribution of electronic components and semiconductor products	10,576,635	10,762,288
Distribution of sport products	22,030	29,564
Rental income from investment properties	6,687	5,755
	10,605,352	10,797,607

Geographical information

The Group's operations are located in different places of domicile, including the People's Republic of China (the "PRC"), Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by Geographical market	
	2014 HK\$'000	2013 HK\$'000
The PRC	7,515,998	7,213,910
Hong Kong	2,499,782	3,028,080
Taiwan	447,229	413,611
Macao Special Administrative Regions of the PRC	93,657	23,381
Japan	11,909	21,340
Thailand	9,532	–
India	4,503	26,944
Republic of Korea	1,747	1,004
Singapore	1,729	13,854
Mexico	–	34,875
Others	19,266	20,608
	10,605,352	10,797,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	354,268	315,411
The PRC	161,725	121,233
Taiwan	233	11,115
Others	930	930
	517,156	448,689

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A	231,072	1,644,593
Customer B	1,668,897	–
Customer C	1,124,178	–

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	24,419	20,752
– not wholly repayable within five years	–	142
	24,419	20,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. TAXATION

	2014 HK\$'000	2013 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	23,000	33,086
– underprovision in prior years	168	138
PRC Enterprise Income Tax		
– current year	2,830	1,987
Taiwan Corporate Income Tax		
– current year	2,802	1,835
	28,800	37,046
Deferred tax (note 32)		
– current year	4,657	(1,094)
	33,457	35,952

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

Under the Law of The People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Corporate Income Tax in Taiwan is charged at 17%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. TAXATION (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Profit before tax	218,511	249,977
Tax at Hong Kong Profits Tax rate of 16.5%	36,054	41,246
Tax effect of expenses not deductible for tax purpose	2,616	1,899
Tax effect of income not taxable for tax purpose	(5,377)	(6,196)
Tax effect of share of profit of joint ventures	(14)	(629)
Underprovision in prior years	168	138
Tax effect of share of loss of associates	–	43
Tax effect of tax losses/deductible temporary differences not recognised	88	159
Utilisation of tax losses/deductible temporary differences previously not recognised	(92)	(755)
Effect of different tax rates of subsidiaries operating in other jurisdictions	14	47
Tax charge for the year	33,457	35,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	76,257	72,009
– performance related incentive payments	12,888	15,798
– retirement benefits scheme contributions	8,539	7,780
– share-based payment expenses	400	–
	98,084	95,587
Auditor's remuneration	1,415	1,383
Depreciation of property, plant and equipment	16,854	16,629
Amortisation of prepaid lease payments	–	199
Allowance of trade and other receivables	501	3,152
Cost of inventories recognised as an expense (including reversal of allowance of inventories of HK\$350,000 (2013: HK\$1,682,000))	10,200,450	10,354,629
Interest income	(457)	(970)
Dividend income from equity investments	(2,152)	(3,000)
Rental income from investment properties, net of outgoings of Nil (2013: HK\$24,000)	(6,687)	(5,731)
The following items are included in other gains and losses:		
Change in fair value of derivative financial instruments	20,868	(6,448)
Settlement from derivative financial instruments	(9,299)	(13,809)
Change in fair value of financial assets at fair value through profit or loss	(795)	1,418
Gain on disposal of financial assets at fair value through profit or loss	(4,323)	(1,574)
Loss on disposal of available-for-sale investments	1	–
Gain on disposal of property, plant and equipment	(4,439)	(784)
Impairment loss on available-for-sale investment	–	1,172
Impairment loss recognised in respect of goodwill	–	3,973
Impairment loss on interest in an associate	117	–
Net foreign exchange gain	(3,081)	(5,299)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the directors of the Company were as follows:

2014

	Yim Yuk Lun, Stanley <i>JP</i> HK\$'000	Yim Tsz Kit, Jacky HK\$'000	Wong Sui Chuen HK\$'000	Lock Shui Cheung HK\$'000	Lau Ping Cheung HK\$'000	Dr. Lui Ming Wah, <i>SBS JP</i> HK\$'000	Wong Tak Yuen, Adrian HK\$'000	Liu Chun Ning, Wilfred HK\$'000	Cheung Chi Kwan HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	50	50	-	100	200
Other emoluments										
Salaries and other benefits	4,320	720	756	480	1,080	-	-	-	-	7,356
Retirement benefits scheme contributions	216	16	17	24	17	-	-	-	-	290
Performance related incentive payments (note)	4,000	60	126	780	572	-	-	-	-	5,538
Total emoluments	8,536	796	899	1,284	1,669	50	50	-	100	13,384

2013

	Yim Yuk Lun, Stanley <i>JP</i> HK\$'000	Yim Tsz Kit, Jacky HK\$'000	Wong Sui Chuen HK\$'000	Lock Shui Cheung HK\$'000	Lau Ping Cheung HK\$'000	Dr. Lui Ming Wah, <i>SBS JP</i> HK\$'000	Wong Tak Yuen, Adrian HK\$'000	Liu Chun Ning, Wilfred HK\$'000	Cheung Chi Kwan HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	50	50	-	100	200
Other emoluments										
Salaries and other benefits	4,320	400	762	690	960	-	-	-	-	7,132
Retirement benefits scheme contributions	216	10	15	26	15	-	-	-	-	282
Performance related incentive payments (note)	8,000	75	259	680	500	-	-	-	-	9,514
Total emoluments	12,536	485	1,036	1,396	1,475	50	50	-	100	17,128

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Mr. Yim Yuk Lun, Stanley *JP* is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2014 and 2013, no directors waived any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2013: three) were directors of the Company whose remunerations are set out in note 11 above. The remuneration of the remaining two (2013: two) individuals are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	2,063	1,893
Performance related incentive payments	382	430
Retirement benefits scheme contributions	34	30
	2,479	2,353

Their remunerations were within the following bands:

	2014 No. of employees	2013 No. of employees
Not exceeding HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	2	2

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

13. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividends recognised as distribution during the year:		
2014 Interim dividend of HK3.00 cents (2013: 2013 interim dividend of HK3.25 cents [#]) per share	18,728	17,221
2013 Final dividend of HK10.00 cents [#] and special dividend of HK1.75 cents [#] (2013: 2012 final dividend of HK6.00 cents [#]) per share	73,354	31,793
	92,082	49,014

Subsequent to the end of the reporting period, a final dividend of HK9.00 cents per share in respect of the year ended 31 December 2014 (2013: final dividend of HK10.00 cents[#] per share and a special dividend of HK1.75 cents[#] per share in respect of the year ended 31 December 2013) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

[#] As restated for the bonus shares issued on 11 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	145,479	172,134
	2014	2013 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	597,534	264,680
Adjustment in relation to bonus shares issued by the Company	–	280,199
Effect of dilutive potential ordinary shares in respect of warrants	–	15,519
Weighted average number of ordinary shares for diluted earnings per share	597,534	560,398

The weighted average number of ordinary shares for 2013 for the purpose of basic earnings per share has been adjusted for the bonus shares issued on 11 June 2014, details are set out in note 30.

During the year ended 31 December 2014, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2013	177,300
Net increase in fair value recognised in profit or loss	15,300
At 31 December 2013	192,600
Reclassified from construction in progress	22,772
Reclassified from prepaid lease payment	9,335
Additions for the year	4,155
Net increase in fair value recognised in profit or loss	40,994
At 31 December 2014	269,856

The investment properties are held under medium-term leases in Hong Kong and the PRC and held for rental income under operating leases.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2014, 1 July 2014 (date of transfer of property, plant and equipment to investment properties) and 31 December 2013 have been arrived at on the basis of a valuation carried out on the respective dates by B.I. Appraisals Limited ("B.I."), independent qualified professional valuers not connected to the Group. B.I. are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations.

The carrying values of investment properties held by the Group at the end of the reporting period comprises:

	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
Investment properties in Hong Kong:		
Medium-term lease	211,800	192,600
Investment properties outside Hong Kong:		
Medium-term lease	58,056	–
	269,856	192,600

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 and 2014 are as follows:

Category	Fair value hierarchy	Fair value		Unrealised gain on property revaluation included in profit or loss in		Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
		31.12.2014	31.12.2013	31.12.2014	31.12.2013				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Commercial properties	Level 3	211,800	192,600	19,200	15,300	Market comparable approach	Reversionary rate	1.7% to 4.0%	The higher the reversionary yield, the lower the fair value
							Market rent	HK\$18 – HK\$35 per square feet per month	The higher the market rent, the higher the fair value
Industrial properties	Level 3	47,970	–	19,949	–	Market comparable approach	Reversionary rate	5.0% to 5.5%	The higher the reversionary yield, the lower the fair value
							Market rent	RMB11 – RMB17 per square meter per month	The higher the market rent, the higher the fair value
Industrial land	Level 3	10,086	–	1,845	–	Market comparable approach	Reversionary rate	5.0% to 5.5%	The higher the reversionary yield, the lower the fair value
							Market rent	RMB2 – RMB4 per square meter per month	The higher the market rent, the higher the fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles and vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST OR VALUATION								
At 1 January 2013	173,540	14,970	5	34,424	30,110	39,035	7,170	299,254
Exchange realignment	656	161	-	24	19	37	138	1,035
Additions	-	1,850	-	2,404	1,022	6,307	15,464	27,047
Disposals	-	(94)	-	(2)	(134)	(3,194)	-	(3,424)
At 31 December 2013	174,196	16,887	5	36,850	31,017	42,185	22,772	323,912
Exchange realignment	(656)	(105)	-	(24)	(25)	(38)	-	(848)
Additions	-	1,032	-	1,119	1,423	2,333	-	5,907
Disposals	(11,120)	-	-	-	-	-	-	(11,120)
Reclassified to investment properties	-	-	-	-	-	-	(22,772)	(22,772)
At 31 December 2014	162,420	17,814	5	37,945	32,415	44,480	-	295,079
Comprising:								
At cost	117,070	17,814	5	37,945	32,415	44,480	-	249,729
At valuation – 1994	45,350	-	-	-	-	-	-	45,350
	162,420	17,814	5	37,945	32,415	44,480	-	295,079
DEPRECIATION								
At 1 January 2013	45,014	13,551	1	23,589	23,016	9,435	-	114,606
Exchange realignment	59	161	-	24	10	16	-	270
Provided for the year	4,041	1,244	1	3,775	2,511	5,057	-	16,629
Eliminated on disposals	-	(92)	-	(2)	(119)	(3,101)	-	(3,314)
At 31 December 2013	49,114	14,864	2	27,386	25,418	11,407	-	128,191
Exchange realignment	(67)	(106)	-	(21)	(15)	(19)	-	(228)
Provided for the year	3,971	891	1	3,759	2,537	5,695	-	16,854
Eliminated on disposals	(218)	-	-	-	-	-	-	(218)
At 31 December 2014	52,800	15,649	3	31,124	27,940	17,083	-	144,599
CARRYING VALUES								
At 31 December 2014	109,620	2,165	2	6,821	4,475	27,397	-	150,480
At 31 December 2013	125,082	2,023	3	9,464	5,599	30,778	22,772	195,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	4% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	10% to 20%
Others	20%

The carrying values of leasehold land and buildings held by the Group at the end of the reporting period comprises:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Land and buildings in Hong Kong:		
Medium-term lease	56,658	59,393
Land and buildings outside Hong Kong:		
Long-term lease	52,962	65,689
	109,620	125,082

Owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

During the current year, construction in progress with an amount of HK\$22,772,000 (2013: Nil) is transferred to investment properties under construction due to change in management intention for generating rental income upon completion of construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land located in the PRC held under medium-term lease.

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Analysed for reporting purposes as:		
Non-current asset	–	9,136
Current asset	–	199
	–	9,335

During the current year, prepaid lease payments with an amount of HK\$9,335,000 (2013: Nil) is transferred to investment properties due to change in management intention for generating rental income.

18. GOODWILL

	HK\$'000
CARRYING VALUES	
At 1 January 2013	20,392
Impairment loss recognised during 2013	(3,973)
At 31 December 2013 and 2014	16,419

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2014 & 31.12.2013 HK\$'000
Distribution of sport products	1,369
Distribution of electronic components and semiconductor products	15,050
	16,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. GOODWILL (Continued)

The basis of the recoverable amounts of the CGUs and their major underlying assumptions are summarised below:

Distribution of sport products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero (2013: zero) growth rate, and discount rate of 8% (2013: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Distribution of electronic components and semiconductor products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with 7.5% (2013: 7.5%) growth rate, and discount rate of 8% (2013: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

During the year ended 31 December 2014, no impairment loss is recognised (2013: HK\$3,973,000) in relation to goodwill to the two CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN ASSOCIATES

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Cost of unlisted investments in associates	19,234	514
Impairment of goodwill	(117)	–
Share of post-acquisition losses and other comprehensive expense	(394)	(348)
	18,723	166

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/ registered capital held by the Group		Principal activities
				31.12.2014 %	31.12.2013 %	
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	30	Trading of electronic products
成都凌點科技有限公司	Established	The PRC	Registered capital	30	30	Provision of research and development services
Reachfull Investment Limited ("Reachfull")	Incorporated	British Virgin Islands	Ordinary	10	–	Investment holding

In the cost of investments in associates is goodwill of HK\$117,000 (2013: HK\$117,000) arising on acquisition of an associate. The amount is fully impaired (2013: Nil) during the year ended 31 December 2014.

As at 31 December 2014 and 2013, in the opinion of the directors, no individual associate is considered as material to the Group.

During the year ended 31 December 2014, an indirect 80% owned subsidiary of the Company entered into an agreement to subscribe for 10% of the issued share capital of Reachfull, which is a private limited company incorporated in the British Virgin Islands ("BVI") whose principal business activity is investment holding, at an initial subscription price of HK\$18,720,000. The indirect 80% owned subsidiary has appointed one of five directors and constituted a significant influence over Reachfull, and thus classified as investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
The Group's share of loss	(45)	(259)
The Group's share of other comprehensive income	–	8
The Group's share of total comprehensive expenses	(45)	(251)

The Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of the associate, both for the year and cumulatively, are as follows:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Unrecognised share of loss of the associate for the year	7	2

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Accumulated unrecognised share of loss of the associate	395	388

20. INTERESTS IN JOINT VENTURES

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Cost of unlisted investments in joint ventures	48,000	48,000
Share of post-acquisition losses and other comprehensive expenses	(25,478)	(30,229)
	22,522	17,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN JOINT VENTURES (Continued)

As at 31 December 2014 and 2013, the Group had interests in the following joint ventures:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group		Proportion of voting rights held by the Group		Principal activity
				31.12.2014	31.12.2013	31.12.2014	31.12.2013	
				%	%	%	%	
Kitronix Limited ("Kitronix")	Incorporated	Hong Kong	Ordinary	35	35	40	40	Manufacturing of liquid crystal display modules
SPT Technology Limited ("SPT Technology")	Incorporated	Hong Kong	Ordinary	55	55	50	50	Distribution of electronic products

The summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs:

Kitronix

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Current assets	7,042	8,162
Non-current assets	10,416	10,999
Current liabilities	370	2,359
Revenue	–	1,364
Profit for the year	676	560
Total comprehensive income for the year	287	931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN JOINT VENTURES (Continued)

Kitronix (Continued)

The above amount of assets includes the followings:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Cash and cash equivalents	6,913	8,149

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Net assets of Kitronix	17,088	16,802
Proportion of the Group's ownership in Kitronix	35%	35%
Carrying amount of the Group's interest in Kitronix	5,981	5,881

SPT Technology

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Current assets	178,083	201,518
Non-current assets	1,171	1,589
Current liabilities	149,179	181,489
Revenue	629,515	560,471
Profit for the year	8,474	6,574
Total comprehensive income for the year	8,461	6,591

The above amounts of assets and liabilities include the followings:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Cash and cash equivalents	19,007	26,234
Current financial liabilities (excluding trade and other payable and provision)	100,907	152,318

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For the year ended 31 December 2014

20. INTERESTS IN JOINT VENTURES (Continued)

SPT Technology (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in SPT Technology recognised in the consolidated financial statements:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Net assets of SPT Technology	30,075	21,618
Proportion of the Group's ownership in SPT Technology	55%	55%
	16,541	11,890

21. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Available-for-sale investments comprise:		
At fair value		
Investments in club debenture	2,997	2,997
Investments in listed equity securities in Hong Kong (Note i)	25,547	24,545
At cost		
Investments in unlisted equity securities in Hong Kong (Note ii)	6,000	6,000
Total	34,544	33,542
Analysed for reporting purposes as:		
Non-current assets	34,544	33,542

Note:

- (i) Listed securities are stated at fair value which is determined based on the quoted market bid price available on the Stock Exchange. The Group identified no impairment loss (2013: HK\$1,042,000) related to these listed securities.
- (ii) The above unlisted equity securities investments represent investments in equity securities issued by a private entity which is engaging in manufacturing of paper products and measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. CLUB MEMBERSHIPS

31.12.2014
&
31.12.2013
HK\$'000

Club memberships outside Hong Kong, at cost	3,278
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As at 31 December 2014 and 2013, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and are of the opinion that the club memberships are worth at least their carrying amounts.

23. INVENTORIES

31.12.2014
HK\$'000

31.12.2013
HK\$'000

Finished goods	859,599	660,775
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24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

31.12.2014
HK\$'000

31.12.2013
HK\$'000

Trade receivables	1,333,660	879,796
Less: allowance for doubtful debts	(6,556)	(6,268)
	1,327,104	873,528
Other receivables	52,046	42,278
Prepayment and deposits paid	49,858	12,809
	1,429,008	928,615
Bills receivable	46,592	26,848

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE (Continued)

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Current	1,028,379	711,853
Within 30 days	204,608	155,355
More than 30 days and within 60 days	46,921	25,188
More than 60 days and within 90 days	68,451	3,960
More than 90 days	25,337	4,020
	1,373,696	900,376

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$345,317,000 (2013: HK\$188,523,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 38 days (2013: 55 days).

Ageing of trade receivables which are past due but not impaired

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Within 30 days	204,608	155,355
More than 30 days and within 60 days	46,921	25,188
More than 60 days and within 90 days	68,451	3,960
More than 90 days	25,337	4,020
Total	345,317	188,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE (Continued)

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
1 January	6,268	3,723
Impairment losses recognised on receivables	997	3,152
Amounts recovered during the year	(496)	–
Amount written off as uncollectible	(213)	(607)
31 December	6,556	6,268

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$6,556,000 (2013: HK\$6,268,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

The Group's trade and other receivables and bills receivable that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
USD	848,601	374,634
RMB	199	2,693
	848,800	377,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	15,901	16,658
Unlisted equity funds (Note)	8,414	8,183
	24,315	24,841
Financial assets designated at FVTPL:		
Structured deposits	17,492	–
	41,807	24,841

Note: The amount represented unlisted equity funds which are quoted in an active market. The fair value of the investments is determined by reference to the quoted prices as at 31 December 2014 and 2013.

As at 31 December, 2014, the financial assets designated at fair value through profit or loss were principal protected structured deposits of HK\$17,492,000 placed with a bank. Under the relevant agreements, such structured deposits contained an embedded derivative in which its return was determined by reference to the changes in exchange rate of foreign currencies including RMB and USD. The fair value was based on the mark to market valuation amount provided by the counterparty financial institution, which was based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details).

At 31 December 2014, included in the Group's financial assets at fair value through profit or loss, balances with aggregate amount of HK\$17,492,000 denominated in RMB, which were other than the functional currency of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2014 and 2013, the pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.02% to 0.1% (2013: from 0.02% to 0.1%) per annum and variable interest at rates which range from 0.01% to 0.4% (2013: from 0.01% to 0.39%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
USD	182,018	127,179
RMB	16,055	24,033
	198,073	151,212

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Trade payables	544,507	673,471
Other payables	39,148	27,573
Accruals and deposits received	39,412	46,824
Total trade and other payables	623,067	747,868
Bills payable	171,021	202,277

The average credit period on purchase of goods ranged from 30 days to 120 days.

Other payables are unsecured, interest-free and repayable on demand.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK\$641,552,000 (2013: HK\$328,883,000) denominated in USD which is other than the functional currency of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE (Continued)

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Current	572,455	778,799
Within 30 days	85,636	43,986
More than 30 days and within 60 days	35,511	21,119
More than 60 days and within 90 days	3,161	16,029
More than 90 days	18,765	15,815
	715,528	875,748

28. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS		LIABILITIES	
	31.12.2014 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts	612	465	22,941	–
Interest rate swap	–	–	–	1,926
	612	465	22,941	1,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As 31 December 2014

Notional amount	Maturity	Forward exchange rates
Twenty-one contracts to buy USD in total notion amount USD45,400,000	Ranging from 8 January 2015 to 22 May 2017	HK\$/USD ranging from 7.718 to 7.749
Four contracts to buy USD in total notion amount USD4,000,000	Ranging from 11 February 2016 to 7 September 2016	RMB/USD ranging from 6.105 to 6.23

As 31 December 2013

Notional amount	Maturity	Forward exchange rates
Thirty-five contracts to buy USD in total notional amount of USD25,510,000	Ranging from 2 January 2014 to 11 November 2015	HK\$/USD ranging from 7.7045 to 7.749

29. BANK BORROWINGS

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Bank borrowings comprise:		
Bank import loans	1,434,597	733,609
Other bank loans	491,907	165,740
	1,926,504	899,349
Analysed as:		
Secured	1,333,911	705,879
Unsecured	592,593	193,470
	1,926,504	899,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. BANK BORROWINGS (Continued)

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
– within one year	1,926,504	886,112
– more than one year, but not exceeding two years	–	7,475
– more than two years, but not exceeding five years	–	3,093
– over five years	–	2,669
	1,926,504	899,349
Less: Amounts due within one year under current liabilities	(1,926,504)	(899,349)
Amounts shown under non-current liabilities	–	–

At 31 December 2014, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.57% (2013: 1.57%).

Included in the Group's borrowings with aggregate amount of HK\$552,288,000 (2013: HK\$134,453,000) denominated in USD which is other than the functional currency of the relevant group entities.

30. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2013	262,140,720	26,214
Exercise of warrants	2,800,000	280
At 31 December 2013	264,940,720	26,494
Exercise of warrants	47,200,000	4,720
Issue of bonus issue (Note)	312,140,720	31,214
At 31 December 2014	624,281,440	62,428

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30. SHARE CAPITAL OF THE COMPANY (Continued)

	Number of non-redeemable convertible preference shares	Amount HK\$'000
Non-redeemable convertible preference shares of HK\$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	46,000,000	4,600
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2014	—	—

Note:

During the year ended 31 December 2014, the Company issued bonus shares on 11 June 2014 on the basis of one bonus share for every one ordinary share at a par value of HK\$0.1 each to shareholders whose names appear on the register of members on 10 June 2014. A total of 312,140,720 bonus shares were issued on 11 June 2014 pursuant to the bonus issue.

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

Pursuant to a resolution passed on 27 July 2012, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants. All directors, non-executive directors, employees, shareholders, suppliers, customers of each member of the Group, any other person or entity that provides research, development or other technological support to any member of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group are eligible to participate in the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Scheme.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

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For the year ended 31 December 2014

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of the grant is HK\$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The subscription price will be established by the board of directors of the Company at the time the option is offered to the participants.

The following tables disclose movements in the share options under the Scheme during the current year.

	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1 January 2014	Granted during the year	Number of options outstanding at 31 December 2014
Employees	25.9.2014	2.60	25.9.2015 – 24.9.2017	–	1,900,000	1,900,000
	25.9.2014	2.60	25.9.2016 – 24.9.2017	–	1,900,000	1,900,000
				–	3,800,000	3,800,000

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For the year ended 31 December 2014

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

The fair value of the share options granted on 25 September 2014, the date of grant, determined using the Binomial Option Pricing Model, was HK\$1,983,000. The inputs into the Binomial Option Pricing Model are as follows:

	Share options with a vesting period of one to two years
Exercise price	HK\$2.60
Grant date share price	HK\$2.57
Expected life of share options	3 years
Expected volatility	45% per annum
Expected dividend yield	8.95%
Risk free rate	0.794% per annum

The expected volatility was determined by using the Company's historical volatility quoted by Bloomberg. The expected dividend yield was determined by the final and special dividends paid during the interim period in respect of the financial year of 2013.

The Group recognised a total expense of HK\$400,000 in the current year (2013: Nil) in relation to the share options granted by the Company.

(b) Warrants granted to a director

On 23 May 2012, the Company entered into a warrant subscription agreement with Unimicro Limited ("Unimicro", a substantial shareholder of, and which has significant influence over the Company and beneficially owned by Mr. Yim Yuk Lun, Stanley JP, the Chairman, Managing Director and Executive Director of the Company) pursuant to which the Company has agreed to issue 50,000,000 warrants to Unimicro, at consideration of HK\$500,000, to subscribe for up to 50,000,000 shares at the exercise price HK\$1.80 per warrant share, which also represented a gratuity for Mr. Yim's long term services to the Group in the past. Under the warrant subscription agreement, Unimicro was required to exercise at least 2,777,778 warrants within 6 months from the completion of it. The warrant subscription agreement was approved by the independent shareholders in the special general meeting held on 27 July 2012. The warrants were granted on 7 August 2012 and are exercisable at any time on or before 6 August 2014. Unimicro is not allowed to sell or transfer interests in the warrant shares within 3 years from the date on which the warrant shares are issued. All the proceeds were used to provide additional working capital for the Company. During the year ended 31 December 2014, 47,200,000 (2013: 2,800,000) warrants were exercised by Unimicro. As at 31 December 2014, no (2013: 47,200,000) warrant remained outstanding.

The fair value of warrant at the date of grant was calculated using the Binomial Option Pricing model.

The inputs into the model were as follows:

Spot market price	HK\$1.90
Exercise price	HK\$1.80
Expected volatility	35.44%
Expected life	3 years
Risk-free rate	0.185%
Dividend yield	6.84%
Lock-up period	3 years

Expected volatility was determined by using the weekly historical volatility of the Company's share price over the previous 520 days.

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For the year ended 31 December 2014

32. DEFERRED TAXATION

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

	Revaluation of investment properties HK\$'000	(Decelerated) accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other deductible temporary differences HK\$'000	Total HK\$'000
At 1 January 2013	–	1,024	(4,015)	(408)	(3,399)
Credit to profit or loss	–	(531)	–	(563)	(1,094)
At 31 December 2013	–	493	(4,015)	(971)	(4,493)
Charge (credit) to profit or loss	5,448	(618)	(173)	–	4,657
At 31 December 2014	5,448	(125)	(4,188)	(971)	164

At 31 December 2014, the Group had unused tax losses of HK\$98,336,000 (2013: HK\$97,303,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK\$25,385,000 (2013: HK\$24,334,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$72,945,000 (2013: HK\$72,969,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2014, a deferred tax liability has been recognised in respect of HK\$21,794,000 of the increase in fair value of investment properties.

At 31 December 2014, the Group had deductible temporary differences in relation to allowance for doubtful debts and inventories of HK\$10,150,000 (2013: HK\$10,150,000). A deferred tax asset has been recognised in respect of HK\$5,888,000 (2013: HK\$5,888,000) for such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK\$4,262,000 (2013: HK\$4,262,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. RETIREMENT BENEFITS SCHEME

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

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33. RETIREMENT BENEFITS SCHEME (Continued)

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK\$8,539,000 (2013: HK\$7,780,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Investment properties	155,000	136,600
Leasehold land and building	–	6,381
Bank deposits	13,553	13,153
Trade receivables	523,664	269,494
Investments held-for-trading	25,906	8,183
	718,123	433,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. OPERATING LEASES

The Group as lessee

	2014 HK\$'000	2013 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	3,745	2,680

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

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Within one year	3,264	2,246
In the second to fifth year inclusive	2,010	686
	5,274	2,932

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rentals.

The Group as lessor

Property rental income earned during the year was HK\$6,687,000 (2013: HK\$5,755,000). The properties held have committed tenants for the next five (2013: two) years.

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

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Within one year	7,696	3,531
In the second to fifth year inclusive	17,923	664
	25,619	4,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CAPITAL COMMITMENTS

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	202,913	4,709

37. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(i) Connected parties

During the year, the Group had significant transactions and balances with deemed connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	2014 HK\$'000	2013 HK\$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Purchases of electronic products by the Group	591,195	714,146
and its subsidiaries (Note)	Sales of electronic products by the Group	810,342	246,878

(b) Balances

Name of party	Nature of balances	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Hon Hai	Trade payables	162,697	242,276
and its subsidiaries	Trade receivables	498,035	53,883

Note: Hon Hai is a substantial shareholder of the Company, who held 19.86% (2013: 23.40%) of the issued share capital of the Company as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	Nature of transactions	2014 HK\$'000	2013 HK\$'000
Joint venture:			
SPT Technology	Purchases of electronic products	100,185	53,390
	Sales of electronic products	348	931

(b) Balances

Name of party	Nature of balances	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Joint venture:			
SPT Technology	Trade payables	10,559	6,277
	Trade receivables	3	90

(c) Compensation of key management personnel

The directors are the key management personnel of the Company and their compensation for both years is set out in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2014 and 31 December 2013 are as follows:

	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Assets		
Investment cost and amounts due from subsidiaries	419,918	391,948
Other assets	1,677	1,079
	421,595	393,027
Liabilities		
Amounts due to subsidiaries	228,241	193,198
Tax payable	–	380
Other payables	1,773	1,290
	230,014	194,868
Net assets	191,581	198,159
Capital and reserves		
Share capital	62,428	26,494
Share premium and reserves (Note)	129,153	171,665
Total equity	191,581	198,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013	33,510	1,109	105,796	6,504	–	65,248	212,167
Profit and total comprehensive income for the year	–	–	–	–	–	3,752	3,752
Dividends recognised as distribution	–	–	–	–	–	(49,014)	(49,014)
Exercise of warrants	5,124	–	–	(364)	–	–	4,760
At 31 December 2013	38,634	1,109	105,796	6,140	–	19,986	171,665
Profit and total comprehensive income for the year	–	–	–	–	–	144	144
Dividends recognised as distribution	(92,082)	–	–	–	–	–	(92,082)
Exercise of warrants	86,380	–	–	(6,140)	–	–	80,240
Recognition of equity-settled share-based payments	–	–	–	–	400	–	400
Bonus shares issued	(31,214)	–	–	–	–	–	(31,214)
At 31 December 2014	1,718	1,109	105,796	–	400	20,130	129,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 and 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			31.12.2014 %	31.12.2013 %	
Dragon Trading Limited	British Virgin Islands/ Hong Kong	Ordinary US\$40,000	100	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Distribution of electronic products
Hi-Level Technology Limited	Hong Kong	Ordinary HK\$25,000,000	51	51	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK\$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK\$100	100	100	Distribution of electronic products
		Non-voting deferred* HK\$1,000,000	100	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK\$100	100	100	Property and investment holding
		Non-voting deferred* HK\$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK\$2	100	100	Distribution of LED lighting products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			31.12.2014	31.12.2013	
			%	%	
SMartech Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	70	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK\$200,000	100	100	Distribution of sports products
時捷電子科技(深圳) 有限公司**	The PRC	Registered capital HK\$20,000,000	100	100	Distribution of electronic products
時捷照明(深圳) 有限公司**	The PRC	Registered capital HK\$1,000,000	100	–	Distribution of LED lighting products
Chenmtech Company Limited 全擘科技股份有限公司	Taiwan	Registered capital TWD70,000,000	51	51	Distribution of electronic products
Time Speed Technology Corporation 時擘科技股份有限公司	Taiwan	Registered capital TWD50,000,000	100	51	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

Name of subsidiary	Place of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hi-Level Technology Limited	Hong Kong	49	49	9,704	6,708	40,009	35,328
SMartech Electronic Company Limited	Hong Kong	30	30	26,167	34,365	67,800	59,633
Chenmtech Company Limited	Taiwan	49	49	2,000	(3,372)	11,690	9,690
Time Speed Technology (Note i) Corporation ("Time Speed")	Taiwan	-	49	1,709	4,204	-	10,632
Individually immaterial subsidiaries with non-controlling interests (Note ii)				(5)	(14)	(17)	569
						119,482	115,852

Notes:

- (i) During the year ended 31 December 2014, the Group has acquired the remaining 49% equity interests of Time Speed for a cash consideration of HK\$31,579,000 and an excess of the fair value of the consideration paid over the non-controlling interests are adjusted amounting to HK\$19,238,000 is recognised directly in other reserve. After the acquisition, Time Speed becomes a wholly-owned subsidiary of the Company.
- (ii) Included in the individually immaterial subsidiaries with non-controlling interests is a 60% equity owned subsidiary, S.A.S. Energy Management Company Limited ("S.A.S. Energy"). During the year ended 31 December 2014, the Group has acquired the remaining 40% equity interests of S.A.S. Energy for a cash consideration of HK\$494,000 and a deficit of the non-controlling interests are adjusted from the fair value of the consideration paid amounting to HK\$87,000 is recognised directly in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

	Hi-Level Technology Limited		SMartech Electronic Company Limited		Chenmtech Company Limited		Time Speed Technology Corporation	
	31.12.2014 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	31.12.2013 HK\$'000
Current assets	238,345	192,220	1,826,384	1,337,230	23,991	27,753	203,926	104,001
Non-current assets	14,309	14,530	630	818	395	11,723	466	233
Current liabilities	(171,002)	(134,652)	(1,601,015)	(1,139,273)	(530)	(19,700)	(174,325)	(82,537)
Equity attributable to owners of the Company	41,643	36,770	158,199	139,142	12,167	10,086	30,067	11,065
Non-controlling interests	40,009	35,328	67,800	59,633	11,689	9,690	-	10,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

	Hi-Level Technology Limited		SMartech Electronic Company Limited		Chenmtech Company Limited		Time Speed Technology Corporation	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	962,875	711,336	6,053,514	6,637,806	3,629	79,300	785,485	559,474
Profit (loss) for the year	19,804	13,690	87,225	114,549	4,081	(6,882)	8,371	8,579
Profit (loss) attributable to owners of the Company	10,100	6,982	61,058	80,184	2,081	(3,510)	6,662	4,375
Profit (loss) attributable to the non-controlling interests	9,704	6,708	26,167	34,365	2,000	(3,372)	1,709	4,204
Profit (loss) for the year	19,804	13,690	87,225	114,549	4,081	(6,882)	8,371	8,579
Total comprehensive income (expense) attributable to owners of the Company	9,972	7,040	61,058	80,184	2,081	(3,510)	6,662	4,375
Total comprehensive income (expense) attributable to the non-controlling interests	9,581	6,767	26,167	34,365	2,000	(3,372)	1,709	4,204
Total comprehensive income (expense) for the year	19,553	13,807	87,225	114,549	4,081	(6,882)	8,371	8,579
Dividends paid to non-controlling interests	4,900	-	18,000	10,500	-	-	-	-

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010 HK\$'000 (Restated)	2011 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2013 HK\$'000	2014 HK\$'000
Revenue	4,367,400	5,327,132	6,319,047	10,797,607	10,605,352
Profit before tax	109,660	120,862	122,246	249,977	218,511
Income tax expense	(14,133)	(11,467)	(13,487)	(35,952)	(33,457)
Profit for the year	95,527	109,395	108,759	214,025	185,054
Profit for the year attributable to:					
Owners of the Company	83,135	102,083	90,852	172,134	145,479
Non-controlling interests	12,392	7,312	17,907	41,891	39,575
	95,527	109,395	108,759	214,025	185,504

ASSETS AND LIABILITIES

	At 31 December				
	2010 HK\$'000 (Restated)	2011 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2013 HK\$'000	2014 HK\$'000
Total Assets	1,679,785	1,926,411	2,353,252	2,757,540	3,756,707
Total Liabilities	(1,124,068)	(1,299,046)	(1,636,524)	(1,879,141)	(2,755,963)
Net Assets	555,717	627,365	716,728	878,399	1,000,744
Equity attributable to owners of the Company	504,328	565,594	632,926	762,547	881,262
Non-controlling interests	51,389	61,771	83,802	115,852	119,482
Total Equity	555,717	627,365	716,728	878,399	1,000,744

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lot No.	Category of lease	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11623/588444 shares of Kowloon Inland Lot No. 10985	Medium term	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	Kowloon Inland Lot No. 10600	Medium term	Commercial
Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC	Dong Fu Guo Yung (2010) De Te No. 361	Medium term	Industrial

The Group has 100% interest in the above properties.