泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 724)

ANNUAL REPORT 2014

*For Identification Purpose Only

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Lam Yat Keung *(President)*
Mr. Huang Hanshui
Mr. Wang Zhaofeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai
Ms. Liu Yanfang
Professor Ma Hongwei

AUDIT COMMITTEE

Mr. Ho Chi Fai *(Chairman)*
Ms. Liu Yanfang
Professor Ma Hongwei

REMUNERATION COMMITTEE

Professor Ma Hongwei *(Chairman)*
Mr. Ho Chi Fai
Ms. Liu Yanfang

NOMINATION COMMITTEE

Ms. Liu Yanfang *(Chairman)*
Mr. Wang Zhaofeng
Professor Ma Hongwei

INVESTMENT COMMITTEE

Professor Ma Hongwei *(Chairman)*
Mr. Ho Chi Fai
Ms. Liu Yanfang

COMPANY SECRETARY

Ms. Tsang Man Sze

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Times Media Centre
133 Wan Chai Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM1022
Hamilton HM DX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 724

WEBSITE

www.irasia.com/listco/hk/sinotech

Results Overview and Financial Highlights

RESULTS OVERVIEW

For the year ended 31 December 2014 (the "Reporting Period"), Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") reported revenue from continuing operation of approximately HK$599.9 million, representing a decrease of 9.2% as compared with approximately HK$660.4 million for the year ended 31 December 2013 (the "Corresponding Period").

Loss from continuing operation for the Reporting Period increased to approximately HK$40.4 million from approximately HK$23.6 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$40.4 million for the Reporting Period as compared with approximately HK$24.7 million for the Corresponding Period. The increase in loss for the Reporting Period was mainly due to, among others, the decrease in the gross profit from the electronic products business, the gain on disposal of 50% equity interest in a subsidiary in the Corresponding Period but not in the Reporting Period, the compensation for the loss of office by a former director and chief executive officer of the Company ("CEO") and the impairment loss on interests in joint ventures. The Group's loss for the Reporting Period, however, was partly offset by the first interim dividend received from CITIC Logistics (International) Company Limited (in liquidation) ("CLI").

The gain on loss of control over subsidiaries, the impairment loss on interests in joint ventures and the imputed interest expenses on convertible notes (collectively, the "Non-cash Items") arose as a result of accounting treatment under the provisions of the applicable accounting standards and were of non-cash nature. Before the Non-cash Items, the Group made a loss of approximately HK$20.5 million in the Reporting Period, as compared with a loss of approximately HK$15.7 million in the Corresponding Period.

FINANCIAL HIGHLIGHTS

	2014 **HK$'000**	2013 HK$'000
Revenue from continuing operation	**599,867**	660,388
Gross profit from continuing operation	**33,300**	44,464
Loss for the year from continuing operation	**(40,434)**	(23,581)
Loss for the year from discontinued operation	**–**	(1,094)
Loss for the year	**(40,434)**	(24,675)
Gain on loss of control over subsidiaries	**–**	11,002
Impairment loss on interests in joint ventures (included in other expenses)	**(998)**	–
Imputed interest expenses on convertible notes	**(18,941)**	(20,021)
Loss for the year before gain on loss of control over subsidiaries, impairment loss on interests in joint ventures and imputed interest expenses on convertible notes	**(20,495)**	(15,656)

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The electronic products business reported a decrease of 9.2% in revenue to approximately HK$599.9 million in the Reporting Period from approximately HK$660.4 million in the Corresponding Period. The decrease was mainly attributable to the drop in revenue from the People's Republic of China (the "PRC") and other Asia Pacific markets, as the continued slowdown of the PRC economy posed a negative impact on the semiconductor industry in general. The average selling price and profit margin of electronic products remained under pressure, which weakened the profitability and resulted in the decrease in the overall gross profit to cover the fixed production costs and maintenance costs. During the Reporting Period, the electronic products business reported a gross profit of approximately HK$33.3 million as compared with approximately HK$44.5 million in the Corresponding Period.

An impairment loss on interests in joint ventures of approximately HK$1.0 million was recognised in the Reporting Period. During the Corresponding Period, a gain of approximately HK$11.0 million was recorded upon the disposal of 50% equity interest in a subsidiary of the Group to an independent third party. However, no similar gain was recorded in the Reporting Period.

As at the date of this report, the winding-up of CLI is still in process. During the Reporting Period, the Group received from CLI the first interim dividend of approximately HK$6.7 million in respect of the admitted claims against CLI by the Company and Top Victory Industries Limited (a wholly-owned subsidiary of the Company), both of which are creditors of CLI. At this stage, the Company is unable to ascertain the extent of recovery from CLI for the remaining balance given that CLI is still in the process of winding up. Subsequent to the Reporting Period, the disposal of the entire 90% equity interest in CITIC Logistics Company Limited ("CLBJ") was completed, according to CLBJ and the liquidators of CLI. During the Reporting Period, the Company made the compensation of approximately HK$4.1 million for the loss of office by a former director and CEO.

As at 31 December 2014, the principal amount of convertible notes that remained outstanding was HK$302.4 million. The Company and the convertible notes holder entered into the deed of variation dated 14 November 2014, pursuant to which it was agreed that, subject to the fulfilment of conditions precedent, (i) the maturity date of the outstanding convertible notes in the principal amount of HK$302.4 million would be extended from 15 November 2014 to 31 December 2016; and (ii) the original conversion price of HK$0.12 per share would be adjusted to the conversion price of HK$0.035 per share. On 9 January 2015, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date and the adjustment of the conversion price of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 November 2014, 17 November 2014 and 9 January 2015, as well as the circular of the Company dated 19 December 2014. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis, as set out in notes 1 and 43 to the consolidated financial statements. The Company is considering various alternatives to more permanently improve the Group's financial position.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business operations with internally generated cash flows and general banking facilities.

As at 31 December 2014, the Group had bank balances and cash of approximately HK$45.1 million (2013: HK$80.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.0 time (2013: 1.0 time).

As at 31 December 2014, the Company had outstanding zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of HK$302.4 million (2013: HK$302.4 million) with an initial conversion price of HK$0.12 per conversion share. Subsequent to the Reporting Period, the maturity date of the convertible notes was extended to 31 December 2016 and the conversion price of the convertible notes was adjusted from HK$0.12 per share to HK$0.035 per share. Details are set out in notes 1 and 43 to the consolidated financial statements and the paragraphs headed "Business and Financial Review" in the Management Discussion and Analysis on page 4 of this report.

As at 31 December 2014, the Group had no outstanding bank borrowings (2013: nil).

As at 31 December 2014, the Group had no capital expenditure commitments (2013: approximately HK$4.0 million in respect of the acquisition of property, plant and equipment).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group does not have any material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

CHARGE ON GROUP'S ASSETS

As at 31 December 2014, the Group did not have any assets pledged (2013: nil).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURES

The Group mainly earns revenue and incurs costs in Hong Kong dollars, U.S. dollars and Renminbi ("RMB"). The management is aware of the possible exchange rate exposure resulting from the fluctuation of RMB against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to determine if any hedging policy is necessary. With regard to the U.S. dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the U.S. dollars remains in effect.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 41 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had 794 (2013: 1,804) full time employees in Hong Kong and the PRC. Total staff costs (including directors' remuneration) for the Reporting Period amounted to approximately HK$32.5 million (2013: HK$30.5 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the mandatory provident fund scheme and the central provident scheme in the PRC, the Company also operates a share option scheme based on which the board of directors of the Company (the "Board") may, at its discretion, grant options to eligible employees of the Group.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the Reporting Period of the Group are set out in note 43 to the consolidated financial statements.

Management Discussion and Analysis

FUTURE OUTLOOK

According to the International Monetary Fund (the "IMF"), global growth will receive a boost from lower oil prices, but this boost is projected to be more than offset by negative factors, including investment weakness as adjustment to diminished expectations about medium-term growth continues in many advanced and emerging market economies. Specifically, while the recovery in the United States was stronger than expected, economic performance in all other major economies fell short of expectations. Reflecting a reassessment of the prospects, the IMF has cut its global economic growth forecast by 0.3 percentage points for 2015 and 2016 to 3.5% and 3.7%, respectively. Though these are better than the growth of 3.3% in 2014, the IMF believes that global growth is still too low, too brittle and too lopsided.

The IMF warns that there are significant risks to the recovery including the asynchronous normalisation of monetary policies in advanced economies; a triple hit of a strengthening U.S. dollar, higher global interest rates and more volatile capital flows faced by emerging and developing economies; stagnation and low inflation in the euro area and Japan; and increased geopolitical risks. According to a report dated 20 January 2015 in the Financial Times (the "FT"), to improve the outlook, the IMF continues to recommend loose monetary policy and increased infrastructure investment, which it believes will help increase medium-term growth and more immediate recovery. This appears to be in line with the reported fears among U.S. officials that the rebound in the U.S. mainly driven by consumer spending could be curtailed by sluggish demand overseas. According to a report dated 3 February 2015 in the FT, Jack Lew, the U.S. treasury secretary, signaled his concern about the health of the world economy as a whole and warned that governments in other major economies need to do more to stimulate demand.

China's economy grew by 7.4% in 2014, its slowest pace since 1990. The slowdown is expected to continue in the coming years, partly due to a far larger base as 7% growth this year is equivalent in absolute terms to 10% growth just a couple of years ago, according to a report dated 20 January 2015 in the FT. However, as the world's most populous nation approaches middle-income levels, its credit-fuelled, investment-led growth model, with its reliance on low wages, polluting industries and real estate construction, is also running out of steam. Slowing growth is mainly driven by the slowdown in fixed asset investment, especially in real estate and manufacturing investment which face oversupply problems, according to the FT report which quoted Haibin Zhu, chief China economists at JP Morgan as saying. The IMF has lowered its forecast for China's economic growth in 2015 and 2016 by 0.3 and 0.5 percentage points to 6.8% and 6.3%, respectively. According to the IMF, its forecast reflects the decision by the authorities to take care of some of the imbalances which are in place, and the desire to reorient the economy towards consumption and away from the real estate sector and shadow banking. However, the IMF warns that lower growth in China will have an adverse effect on its trade partners, in particular on the rest of Asia.

Management Discussion and Analysis

The Chinese government has set its 2015 GDP growth target at around 7%, down from the growth target of around 7.5% in 2014. In his annual government work report, Premier Li Keqiang highlighted that with downward pressure on China's economy building and deep-seated problems in development surfacing, the difficulties that the country would encounter in the year ahead might be even more formidable than those of last year. According to reports dated 1 February and 2 March 2015 in the FT, China's manufacturing sector shrank in January and February 2015 with the official Purchasing Managers' Index ("PMI") falling to 49.8 and 49.9, respectively, down from 50.1 in December 2014 and the first time since September 2012 that the gauge fell below the 50-point level, separating expansion from contraction. According to a report dated 27 January 2015 in the FT, Chinese industrial profits slumped by a record 8% in December 2014 and the fall highlights the challenges facing the industrial sector racked by overcapacity and falling prices, adding to pressure on authorities to loosen monetary policy and boosting infrastructure spending to cushion the slowdown.

Against this backdrop, the operating environment for manufacturers in the PRC is likely to remain challenging and would continue to have an impact on the Group's performance in the future. Certain electronics products manufacturers in the PRC have started to implement their plans to close down and move their production plants to other developing countries in Asia in order to lower their production costs. This is a signal for the manufacturers in the PRC that the operating environment in the PRC will experience an ordeal. The two key drivers of electronics and semiconductor growth over the last few years have been smartphones and tablets. Although the demand for both smartphones and tablets are expected to grow continuously, severe competition, market fluctuations and economic uncertainties may affect product demand and customer orders. Profit margin of the Group's electronics products has been squeezed by growing competition within the industry, fixed production costs as well as the increasing wages rate. Shortage of labour was another problem encountered by manufacturers in Dongguan, Guangdong Province, the PRC. As a result, the Group will take a cautious view of its business in the coming year.

In order to improve the operational performance of the electronic products business, the Group will continue to impose conservative and stringent cost controls over its products costs. The Group will also streamline the operation and outsource the production process in order to lower the overall production costs. The Group will endeavour to trim the increasing manufacturing overheads and production costs as well as improve productivity in view of the imminent raise in minimum wages rate and production overheads in the PRC in the coming future.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Lam Yat Keung, aged 57, was appointed as the President of the Company on 13 December 2003 and stepped down on 2 March 2010 but remained as an executive director of the Company. Mr. Lam was re-appointed as the President of the Company on 1 December 2012. Mr. Lam has over 30 years of experience in business development, strategic planning, policy making and research and development in the manufacturing industry in Hong Kong and the PRC, particularly in the consumer products and electronic components sectors. Mr. Lam is currently the President and an executive director of the Company and a director of certain subsidiaries of the Company. He is the husband of Ms. Lam Pik Wah who is a director of certain subsidiaries of the Company.

Mr. Huang Hanshui, aged 44, was appointed as an executive director of the Company on 9 March 2010. Mr. Huang holds a Master of Business Administration (MBA) degree from the National University of Singapore and a Bachelor of Arts degree from Xiamen University. Mr. Huang has over 19 years of experience in financial and risk management, equity research, strategic management, human resources services and sales & marketing. Prior to joining the Company, he worked as an equity analyst in Nomura Securities and Standard & Poor's. Mr. Huang is currently the Chief Financial Officer of the Company and a director of certain subsidiaries of the Company.

Mr. Wang Zhaofeng, aged 45, was appointed as an executive director of the Company on 10 July 2013. Mr. Wang holds master and doctor of law degrees from Renmin University of China. He went to University of Cambridge in England and Cornell University in the United States in 2004 and 2009, respectively as a visiting scholar. Mr. Wang has about 15 years of experience working in the judiciary department and as a practicing lawyer in the PRC. He is currently a legal counsel to several major media and large enterprises. Mr. Wang was a deputy director for the Public Prosecution Department of the People's Procuratorate of Haidian District in Beijing from 1998 to 2002, and a deputy director for the Legal Policy Research Office of the People's Procuratorate of Beijing from 2002 to 2006. Currently, Mr. Wang is a partner of and a director-general of the Litigation Arbitration Committee of Beijing DeHeng Law Offices. Mr. Wang is also a member of the Industry Development Committee of All China Lawyers Association in the PRC, a deputy director of the Lawyer Business Research Centre of Renmin University of China and a part-time professor of China University of Political Science and Law.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai, aged 58, was appointed as an independent non-executive director of the Company on 15 January 2004. Mr. Ho graduated from the Hong Kong Polytechnic University in 1979 with a Higher Diploma in Accountancy. Prior to joining the Group, he had over 20 years of experience working in an international bank with particular expertise in money market operations and accounting and was the financial controller of a computer manufacturer and an electronic components manufacturer.

Ms. Liu Yanfang, aged 50, was appointed as an independent non-executive director of the Company on 24 June 2010. Ms. Liu holds a bachelor degree in law from China University of Political Science and Law. She has over 20 years of experience working as a corporate legal counsel and in financial crimes investigations. Ms. Liu is currently a PRC practicing attorney and she has been a senior partner with Allbright Law Offices situated in Shanghai since 2004. From 1992 to 2003, Ms. Liu served various positions with the Ministry of Public Security including as director of the Securities Crime Investigation Department and as deputy director of the Finance Department under the Economic Protection Bureau. From 1989 to 1992, she worked in the All-China Women's Federation. From 1987 to 1989, she worked as an attorney for a law firm in Hebei province.

Professor Ma Hongwei, aged 48, was appointed as an independent non-executive director of the Company on 26 August 2010. Professor Ma graduated from the Department of Mechanics Engineering of Chengdu Science and Technology University in 1986. He obtained a doctorate degree from the Institute of Applied Mechanics of Taiyuan University of Technology in 1996. Professor Ma has over 20 years of experience in education and research. He is currently a professor of Jinan University, the dean of the College of Science and Engineering, deputy director of Public Safety Research Centre, vice director of the Institute of Nuclear Science and Engineering Technology of Jinan University and a member of the Guiding Committee on Education of Mechanics of Ministry of Education.

Report of the Directors

The Board presents their report and the audited consolidated financial statements of the Company and its subsidiaries for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries as at 31 December 2014 are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 30 and 31 of this report.

The Board does not recommend the payment of final dividend for the Reporting Period (2013: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years is set out on page 122 of this report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of movements in the convertible notes of the Company during the Reporting Period are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company did not have any reserves available for distribution, as computed in accordance with the Companies Act 1981 of Bermuda (2013: nil). The Company's share premium account of HK$2,210,494,000 (2013: HK$2,210,494,000) could be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders of the Company (the "Shareholders").

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

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

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for 7.20% and 24.63%, respectively, of the total revenue of the Group for the Reporting Period.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for 13.12% and 50.15%, respectively, of the total purchases of the Group for the Reporting Period.

None of the directors of the Company (the "Directors"), their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Lam Yat Keung
Mr. Huang Hanshui
Mr. Wang Zhaofeng
Mr. Lim Chuan Yang (retired on 9 June 2014)

Independent non-executive Directors

Mr. Ho Chi Fai
Ms. Liu Yanfang
Professor Ma Hongwei

Pursuant to Bye-law 87, Mr. Huang Hanshui and Ms. Liu Yanfang will retire at the forthcoming annual general meeting of the Company (the "2015 AGM") and, being eligible, will offer themselves for re-election at the 2015 AGM.

None of the Directors being proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensations, other than statutory compensation.

Save as disclosed above, there is no other information regarding Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 16 and 17 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Lam Yat Keung (Note 1)	Interest of family	612,400,000	5.12%
Mr. Huang Hanshui (Note 2)	Beneficial owner	86,827,895	0.73%

Report of the Directors

Notes:

1. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 shares owned by Smart Number Investments Limited ("Smart Number"). Smart Number is incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Min Wah (the brother-in-law of Mr. Lam Yat Keung).

2. Mr. Huang Hanshui, an executive Director, has a derivative interest in 86,827,895 shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which had to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Directors' interests in shares and underlying shares" above and "Share option scheme" as set out in note 34 to the consolidated financial statements, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors nor the chief executives of the Company, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As 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 and chief executives of the Company, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in the shares and underlying shares of the Company:

Name of substantial Shareholders	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Li Weimin (Note 1)	Beneficial owner	10,382,985,823	86.77%
Smart Number (Note 2)	Beneficial owner	612,400,000	5.12%
Ms. Lam Pik Wah	Interest of controlled corporation	612,400,000	5.12%
Mr. Lam Min Wah	Interest of controlled corporation	612,400,000	5.12%

Notes:

1. Mr. Li Weimin is interested in 10,382,985,823 shares, consisting of (i) an interest in 1,742,985,823 shares beneficially owned and held in his own name; and (ii) a derivative interest in 8,640,000,000 conversion shares to be allotted and issued upon full conversion of the outstanding convertible notes issued to him by the Company in the aggregate principal amount of HK$302,400,000.

2. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Min Wah (the brother-in-law of Mr. Lam Yat Keung).

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

SHARE OPTION SCHEME

At the Company's annual general meeting held on 8 June 2012, the Company terminated the old share option scheme and adopted a new share option scheme. Details are set out in note 34 to the consolidated financial statements.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Reporting Period.

CONNECTED TRANSACTION

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 18 to 27 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

AUDITOR

SHINEWING (HK) CPA Limited will retire and, being eligible, will offer themselves for re-appointment as auditor of the Company at the 2015 AGM.

On behalf of the Board

Lam Yat Keung
President

Hong Kong, 27 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance. During the Reporting Period, the Company has applied the principles of and complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

Under the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ho Chi Fai, an independent non-executive Director, is not appointed for a specific term but his directorship is subject to retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules. Under the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. This means a director's specific term of appointment cannot exceed three years for a total of six Directors.

Moreover, under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Given that Mr. Lim Chuan Yang ("Mr. Lim") was not re-elected as a Director at the Company's annual general meeting held on 9 June 2014, the Board resolved that Mr. Lim should step down as the CEO with effect from 16 June 2014. The Board is presently identifying a suitable candidate to be appointed as the CEO. Prior to identifying a suitable candidate, the duties and responsibilities of the CEO will be shared among the members of the Board.

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

BOARD OF DIRECTORS

The Board comprises a balanced composition of Directors who possess a wide spectrum of relevant skills and experience, including three executive Directors and three independent non-executive Directors. All Directors are expressly identified in all corporate communications. The biographical details of each Director are set out on pages 9 to 10 of this report. The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee (together the "Board Committees").

Corporate Governance Report

During the Reporting Period, the attendance of the Directors at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting, Investment Committee meeting and the Company's annual general meeting held on 9 June 2014 ("2014 AGM") is given below and their respective responsibilities are discussed later in this report.

		No. of meetings attended/held					
		2014 AGM	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Investment Committee meeting
Executive Directors							
Mr. Lam Yat Keung		1/1	9/9	N/A	N/A	N/A	N/A
Mr. Huang Hanshui		1/1	9/9	N/A	N/A	N/A	N/A
Mr. Wang Zhaofeng		1/1	9/9	N/A	N/A	note	N/A
Mr. Lim Chuan Yang	(retired on 9 June 2014)	1/1	3/9	N/A	N/A	1/1	N/A
Independent non-executive Directors							
Mr. Ho Chi Fai		1/1	9/9	2/2	1/1	N/A	1/1
Ms. Liu Yanfang		1/1	9/9	2/2	1/1	1/1	1/1
Professor Ma Hongwei		1/1	9/9	2/2	1/1	1/1	1/1

Note: Mr. Wang Zhaofeng was appointed as a member of the Nomination Committee after holding of the Nomination Committee meeting.

The Board is accountable to Shareholders for the performance and activities of the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. The day-to-day management, operation and administration of the Company are delegated to the management executives while certain key matters such as making recommendation of dividend or other distributions and appointment of Directors are reserved for the approval by the Board.

The Board held meetings from time to time whenever necessary. Notice of at least fourteen days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent to all Directors within reasonable time before the meeting. Minutes of Board meetings and meetings of the Board Committees are kept by the secretary of the meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Corporate Governance Report

In case a Director has a material interest in the subject matter to be considered by the Board, a Board meeting should be held and such Director must abstain from voting and not being counted towards the quorum in respect of the subject matter of the meeting.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

During the Reporting Period, the Board complies at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company is of the opinion that the independent status of them remains intact as at 31 December 2014.

DIRECTORS' TRAINING

Under the Code Provision A.6.5 of the CG Code, all directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for Directors are arranged where necessary. Up to the date of this report, all Directors have attended in-house seminars on regulatory and corporate governance matters arranged by the Company and the Company has received from each of the Directors the confirmation on continuous professional training, as recorded in the table below:

	Seminars on regulations and updates	Reading guides and papers relating to regulations and directors' duties
Executive Directors		
Mr. Lam Yat Keung	✓	✓
Mr. Huang Hanshui	✓	✓
Mr. Wang Zhaofeng	✓	✓
Independent Non-Executive Directors		
Mr. Ho Chi Fai	✓	✓
Ms. Liu Yanfang	✓	✓
Professor Ma Hongwei	✓	✓

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President of the Company is responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, timely and constructively resolved by the Board.

The CEO was delegated with the authority and responsibility to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation. Given that Mr. Lim was not re-elected as a Director at the 2014 AGM, the Board resolved that Mr. Lim should step down as the CEO with effect from 16 June 2014. The Board is presently identifying a suitable candidate to be appointed as the CEO. Prior to identifying a suitable candidate, the duties and responsibilities of the CEO will be shared among the members of the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors is engaged on a service contract. Each of the independent non-executive Directors (except Mr. Ho Chi Fai) is engaged with an appointment letter from the Company for a fixed term of three years, which will continue thereafter until terminated by either party by giving not less than one month notice in writing to the other party, and his/her term of office is subject to retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules.

According to the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

Corporate Governance Report

NOMINATION COMMITTEE

On 9 June 2014, Mr. Lim, an executive Director, ceased as the member of the Nomination Committee. The Nomination Committee currently comprises three members namely, Ms. Liu Yanfang (the Chairman of Nomination Committee), Professor Ma Hongwei, the independent non-executive Directors and Mr. Wang Zhaofeng, the executive Director.

The Board adopted the board diversity policy (the "Board Diversity Policy") in accordance with the requirements set out in the CG Code. Such policy aims to achieve diversity on the Board in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates on the Board 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. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee will also review the Board Diversity Policy to ensure its effectiveness. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

During the Reporting Period, one Nomination Committee meeting was held to review the structure, size and composition of the Board, the retirement and re-appointment arrangement of the Directors in the 2014 AGM and review the effectiveness of the Board Diversity Policy. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant section of the CG Code.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. The Remuneration Committee currently comprises all independent non-executive Directors, namely, Professor Ma Hongwei (the Chairman of Remuneration Committee), Mr. Ho Chi Fai and Ms. Liu Yanfang.

The Company has adopted the model to make recommendations to the Board to determine the remuneration packages of Directors and senior management.

During the Reporting Period, one Remuneration Committee meeting was held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code.

AUDIT COMMITTEE

The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Ho Chi Fai (the Chairman of Audit Committee), Ms. Liu Yanfang and Professor Ma Hongwei.

The primary duties of the Audit Committee include to make recommendation to the Board for appointment, reappointment and removal of the Company's external auditor, to review and monitor its independence and objectivity, and to develop and implement policy on the engagement of non-audit services by the Company's external auditor. Apart from monitoring the integrity of financial statements, the Audit Committee also oversees the Company's financial reporting system and internal control procedures.

During the Reporting Period, two Audit Committee meetings were held to review the interim and final results of the Group, the financial reporting matters as well as the internal control systems of the Group. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the CG Code.

Corporate Governance Report

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 28 and 29.

For the Reporting Period, the remuneration paid/payable to the external auditor of the Company, SHINEWING (HK) CPA Limited, is set out below:

	HK$'000
Audit services	674
Non-audit services:	
– Taxation services	82
– 2014 interim review	60
– Others	27
	169
	843

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the Reporting Period.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(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 applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The terms of reference of the corporate governance functions of the Board are consistent with the terms set out in the relevant section of the CG Code.

GOING CONCERN BASIS

Under the Code Provision C.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

The convertible notes with outstanding principal amount of HK$302.4 million were matured on 15 November 2014. In addition, the Group incurred a loss of approximately HK$40.4 million, resulting in net current liabilities of approximately HK$2.0 million as at 31 December 2014. However, subsequent to the Reporting Period, the maturity date of the convertible notes was extended to 31 December 2016 and the conversion price of the convertible notes was adjusted from HK$0.12 per share to HK$0.035 per share. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis. Details are set out in the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on page 4 of this report and in note 1 to the consolidated financial statements.

Corporate Governance Report

ACCOUNTABILITY AND INTERNAL CONTROL

The management has regularly provided explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility for preparing the financial statements and presenting a balanced, clear and understandable assessment in the Company's annual and interim reports, other financial disclosures required under the Listing Rules and reports to regulators.

The Directors conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of the Company's staff in accounting and financial reporting function together with their training programmes and budget. The Directors will continuously review and improve the effectiveness of the internal control system of the Group.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary of the Company, Ms. Tsang Man Sze ("Ms. Tsang"), a full time employee of the Company. Ms. Tsang has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide its Shareholders and investors with high standard of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to Shareholders in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circular, notices and other announcements.

Shareholders are welcome to attend Shareholder's meeting where they are fully briefed on the Company's activities and questions can be raised to the Board and the management. The Board proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Poll results will be posted on the websites of the Company and the Stock Exchange after Shareholders' meetings.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying the shareholding information of the Shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
SINO-TECH INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 121, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014, and of the Group's loss 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
27 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operation			
Revenue	7	**599,867**	660,388
Cost of sales		**(566,567)**	(615,924)
Gross profit		**33,300**	44,464
Other income	8	**7,641**	1,241
Gain on loss of control over subsidiaries	35	**–**	11,002
Distribution costs		**(11,247)**	(12,343)
Administrative expenses		**(50,166)**	(46,933)
Share of results of joint ventures		**(9)**	(7)
Provision for financial guarantees		**–**	(260)
Other expenses		**(1,011)**	(723)
Finance costs	9	**(18,942)**	(20,022)
Loss before taxation		**(40,434)**	(23,581)
Taxation	10	**–**	–
Loss for the year from continuing operation	11	**(40,434)**	(23,581)
Discontinued operation			
Loss for the year from discontinued operation	13	**–**	(1,094)
Loss for the year		**(40,434)**	(24,675)
Loss for the year attributable to owners of the Company:			
– from continuing operation		**(40,434)**	(23,581)
– from discontinued operation		**–**	(1,094)
Loss for the year attributable to owners of the Company		**(40,434)**	(24,675)
Loss per share	15		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**(0.34)**	(0.21)
From continuing operation			
Basic and diluted (HK cents)		**(0.34)**	(0.20)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(40,434)**	(24,675)
Other comprehensive income (expense) for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations		
Exchange gain (loss) arising during the year	**22**	(29)
Total comprehensive expenses for the year attributable to owners of the Company	**(40,412)**	(24,704)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	28,687	46,299
Interests in joint ventures	19	4,984	5,991
Deposits paid for acquisition of property, plant and equipment		–	470
		33,671	52,760
Current assets			
Inventories	20	108,239	136,779
Trade and bills receivables	21	204,778	194,157
Prepayments, deposits and other receivables	22	2,699	1,917
Amount due from a joint venture	40(a)	31	10
Amounts due from former subsidiaries	23	–	–
Tax recoverable		4,910	2,515
Deposits in other financial institutions	24	446	446
Bank balances and cash	25	45,097	80,462
		366,200	416,286
Current liabilities			
Trade and bills payables	26	47,547	94,358
Other payables and accruals	27	13,862	11,830
Amounts due to former subsidiaries	23	4,417	7,379
Obligations under finance leases	29	4	5
Convertible notes	30	302,400	283,459
		368,230	397,031
Net current (liabilities) assets		(2,030)	19,255
Total assets less current liabilities		31,641	72,015

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Obligations under finance leases	29	–	4
Employee benefits	31	143	101
		143	105
Net assets		31,498	71,910
Capital and reserves			
Share capital	33	119,667	119,667
Reserves		(88,169)	(47,757)
Total equity		31,498	71,910

The consolidated financial statements on pages 30 to 121 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Director
Lam Yat Keung

Director
Huang Hanshui

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** (note) HK$'000	**Share-based compensation reserve** HK$'000	**Foreign exchange reserve** HK$'000	**Convertible notes reserve** (note 30) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2013	119,667	2,210,494	5,800	43,722	(26)	92,707	(2,375,750)	96,614
Loss for the year	–	–	–	–	–	–	(24,675)	(24,675)
Other comprehensive expense for the year								
Exchange differences arising on translation of foreign operations								
Exchange loss arising during the year	–	–	–	–	(29)	–	–	(29)
Total comprehensive expenses for the year	–	–	–	–	(29)	–	(24,675)	(24,704)
At 31 December 2013 and 1 January 2014	119,667	2,210,494	5,800	43,722	(55)	92,707	(2,400,425)	71,910
Loss for the year	–	–	–	–	–	–	(40,434)	(40,434)
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations								
Exchange gain arising during the year	–	–	–	–	22	–	–	22
Total comprehensive income (expense) for the year	–	–	–	–	22	–	(40,434)	(40,412)
Share options lapsed	–	–	–	(3,676)	–	–	3,676	–
At 31 December 2014	119,667	2,210,494	5,800	40,046	(33)	92,707	(2,437,183)	31,498

Note: The contributed surplus represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to a group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before taxation from continuing operation	(40,434)	(23,581)
Loss before taxation from discontinued operation	–	(1,094)
	(40,434)	(24,675)
Adjustments for:		
Bank interest income	(10)	(12)
Finance costs	18,942	20,387
Depreciation of property, plant and equipment	23,822	26,085
Gain on loss of control over subsidiaries	–	(11,002)
Share of results of joint ventures	9	7
Impairment loss on interests in joint ventures	998	–
Impairment loss on trade receivables	–	8
Recovery of trade receivables previously written off	–	(37)
Reversal of impairment loss on amount due from a former subsidiary	(6,662)	–
Reversal of impairment loss on trade receivables	–	(318)
Reversal of impairment loss on other receivables	(14)	–
Net gain on disposals of property, plant and equipment	(295)	(869)
Write-offs of property, plant and equipment	13	756
Gain on disposal of an investment property	–	(76)
Provision for financial guarantees	–	260
Operating cash flows before working capital changes	(3,631)	10,514
Decrease (increase) in inventories	28,540	(36,118)
Increase in trade and bills receivables	(10,621)	(12,935)
(Increase) decrease in prepayments, deposits and other receivables	(782)	745
Decrease in trade and bills payables	(46,811)	(5,631)
Increase (decrease) in other payables and accruals	2,032	(2,321)
Decrease in provision for financial guarantees	–	(8,560)
Increase in non-current employee benefits	42	15
Cash used in operations	(31,231)	(54,291)
Purchase of tax reserve certificate	(2,395)	(1,555)
NET CASH USED IN OPERATING ACTIVITIES	(33,626)	(55,846)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Repayment from a former subsidiary		**6,662**	–
Proceeds from disposals of property, plant and equipment		**2,266**	1,390
Bank interest received		**10**	12
Balance of proceed received for disposal of an investment property		**–**	250,576
Cash inflow arising on loss of control over subsidiaries	35	**–**	5,000
Purchase of property, plant and equipment		**(7,740)**	(17,924)
Advance to joint ventures		**(21)**	(10)
Deposits paid for acquisition of property, plant and equipment		**–**	(470)
NET CASH FROM INVESTING ACTIVITIES		**1,177**	238,574
FINANCING ACTIVITIES			
Repayment to a former subsidiary		**(2,948)**	(26)
Repayment of obligations under finance leases		**(5)**	(5)
Interest paid on obligations under finance leases		**(1)**	(1)
Repayment of bank borrowings		**–**	(143,564)
Interest paid on bank borrowings		**–**	(438)
NET CASH USED IN FINANCING ACTIVITIES		**(2,954)**	(144,034)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(35,403)**	38,694
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**80,462**	41,859
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**38**	(91)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**45,097**	80,462

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sino-Tech International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and principal place of business is at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

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

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 42.

Going concern basis

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group.

The Group incurred a loss attributable to the owners of the Company of approximately HK$40,434,000 for the year ended 31 December 2014. In addition, the convertible notes with outstanding principal amount of HK$302,400,000 were matured on 15 November 2014, resulting in net current liabilities of approximately HK$2,030,000 as at 31 December 2014. The Directors are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 December 2014 on a going concern basis by taking into consideration of the following.

Subsequent to the reporting period, the maturity date of the abovementioned convertible notes was extended to 31 December 2016 pursuant to the relevant ordinary resolution duly passed on 9 January 2015 at a special general meeting of the Company and the conversion price of the convertible notes was adjusted from HK$0.12 per share to HK$0.035 per share. For details, please refer to the announcements of the Company dated 14 November 2014, 17 November 2014 and 9 January 2015, as well as the circular of the Company dated 19 December 2014.

The Directors consider that the Group will be able to finance its future working capital and to fulfill its financial obligations as and when they fall due. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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")

In the current year, the Group has applied for the first time the following amendments to HKFRSs and a new interpretation ("Int"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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
Hong Kong (IFRS Interpretations Committee) – Int 21	Levies

Except as described below, the application of the amendments to HKFRSs and the new Int 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 HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

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

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities *(Continued)*

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

As the Company is not an investment entity, the Directors consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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)*

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

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The Directors consider that the application of the amendments to HKAS 36 has resulted in more extensive 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:

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

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

2 Effective for annual periods beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning on or after 1 January 2018.

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)*

Annual Improvements to HKFRSs 2010 – 2012 Cycle

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

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

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

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

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

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

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)*

Annual Improvements to HKFRSs 2010 – 2012 Cycle *(Continued)*

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

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010 – 2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

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

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

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)*

Annual Improvements to HKFRSs 2011 – 2013 Cycle *(Continued)*

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

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

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

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011 – 2013 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

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

Annual Improvements to HKFRSs 2012 – 2014 Cycle *(Continued)*

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements "if not disclosed elsewhere in the interim financial report". The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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 (2014) Financial Instruments *(Continued)*

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair 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.

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

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

HKFRS 9 (2014) Financial Instruments *(Continued)*

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- Step 1: Identify the contract with the 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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The Directors 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.

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

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the Directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The Directors anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

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)*

Amendments to HKAS 1 Disclosure Initiative *(Continued)*

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Except for disclosed above, the Directors do not anticipate that the application of other new HKFRSs will have material impact on the results and the financial position of the Group.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Account and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis 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.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

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 when the Company:

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint ventures

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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of 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, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint ventures. When the Group's share of loss of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint ventures *(Continued)*

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 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.

Where a group entity transacts with its joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the joint venture that are not related to the Group.

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 title has been 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

Property, plant and equipment

Property, plant and equipment including leasehold 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 less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly to profit or loss.

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

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 on the transactions. At the end of the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

For the 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. HK$) 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 foreign exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Defined contribution retirement benefit plans

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

(b) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(c) Employee entitlements

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

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

(d) Long service payment

The Group's net obligations in respect of long service payment on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and an associate, and interests in 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 interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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

Inventories

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 loans and receivables. The classification depends on the nature and purpose of the financial asset 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 financial asset, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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 bills receivables, deposits and other receivables, amounts due from a joint venture and former subsidiaries, deposits in other financial institutions and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets 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 all financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. 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 average credit period of 30 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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)

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

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

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 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.

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 entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (Continued)

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to former subsidiaries, obligations under finance leases and convertible notes 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.

Convertible notes

The component parts of the convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component (including early redemption option which is closely related) is estimated using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion, redemption or at the instrument's maturity date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately 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-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Share options granted to suppliers and other eligible persons

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 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 as an expense immediately in profit or loss.

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 as income immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks are set out in note 1.

Income taxes

In respect of the Hong Kong Profits Tax under enquiries by the Hong Kong Inland Revenue Department (the "IRD") as mentioned in note 10, management judgement was required in assessing the likelihood of success in substantiating the claim for allowances. As the enquiry is at fact-finding stage, no additional provision for Hong Kong Profits Tax for prior years was considered necessary. The provision of income taxes is reviewed on an ongoing basis. As at 31 December 2014, the aggregate amount of protective profits tax assessment issued by the IRD to the Group amounting to approximately HK$3,950,000 (2013: HK$1,555,000).

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

Estimated useful life of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis between the rates of 2% to 30% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Depreciation of approximately HK$23,822,000 (2013: HK$26,085,000) has been recognised for the year.

Impairment of trade and other receivables

The policy for impairment on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required. During the year ended 31 December 2013, impairment loss on trade and other receivables and reversal of impairment loss on trade and other receivables of approximately HK$8,000 (2014: nil) and HK$318,000 (2014: HK$14,000), respectively, have been recognised. As at 31 December 2014, the carrying amount of trade and other receivables was approximately HK$207,477,000 (2013: HK$196,074,000), net of accumulated impairment loss of approximately HK$19,747,000 (2013: HK$19,830,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. During the years ended 31 December 2014 and 2013, no allowance of inventories has been recognised. As at 31 December 2014, the carrying amount of inventories was approximately HK$108,239,000 (2013: HK$136,779,000).

Impairment on property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. During the years ended 31 December 2014 and 2013, no impairment loss in respect of property, plant and equipment was recognised in the consolidated statement of profit or loss. As at 31 December 2014, the carrying amount of property, plant and equipment was approximately HK$28,687,000, net of accumulated impairment losses of approximately HK$178,000 (2013: carrying amount of approximately HK$46,299,000, net of accumulated impairment losses of HK$178,000).

Impairment on interests in joint ventures

The management of the Group reviews interests in joint ventures for impairment based primarily on the fair value of trademarks which are the only assets held by the joint ventures. In estimating the fair value of trademarks, the Group engages third party qualified valuer to perform the valuation and uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of trademarks. Note 19 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of trademarks. Such inputs and key assumptions are subject to uncertainty and might materially differ from the actual results.

During the year ended 31 December 2014, impairment loss on interests in joint ventures of approximately HK$998,000 (2013: nil) was recognised. As at 31 December 2014, the carrying amount of interests in joint ventures was approximately HK$4,984,000 (2013: HK$5,991,000) (net of accumulated impairment loss of approximately HK$998,000 (2013: nil)).

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment on amounts due from former subsidiaries

The Directors assessed the recoverability of the amounts due from former subsidiaries based on their estimation in assessing the ultimate realisation of these receivables. Such estimation was based on certain assumptions, which are subject to uncertainty and may materially differ from the actual results. The carrying amount of amounts due from former subsidiaries was nil as at 31 December 2014 and 2013 (net of accumulated impairment loss of approximately HK$172,244,000 (2013: HK$178,906,000)).

Income taxes

As at 31 December 2014, deferred tax assets in relation to unused tax losses of approximately HK$90,000 (2013: HK$278,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses and other deductible temporary differences of approximately HK$137,939,000 (2013: HK$117,660,000) due to the unpredictability of future profit streams. The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Fair value measurements and valuation processes

In accordance with the Group's accounting policies as set out in note 3, the fair value of interests in the former subsidiaries at the date when control is lost was regarded as the cost on initial recognition of interests in joint ventures. The management of the Company determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group used market-observable data to the extent it was available. Where Level 1 inputs were not available, the Group engaged third party qualified valuers to perform the valuation. The management worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group used valuation techniques that include inputs that were not based on observable market data to estimate the fair value. Note 35 provides detailed information about the valuation techniques, inputs and key assumptions under Level 3 fair value measurements used in the determination of the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 debts, which includes amounts due to former subsidiaries, obligations under finance leases, convertible notes, and equity attributable to owners of the Company, comprising share capital and reserves, and net of bank balances and cash. The Directors review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as share options. The Directors will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	251,242	275,908
Financial liabilities		
Other financial liabilities at amortised cost	366,337	395,591

(b) Financial risk management objective and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from a joint venture and former subsidiaries, deposits in other financial institutions, bank balances and cash, trade and bills payables, other payables and accruals, amounts due to former subsidiaries, obligations under finance leases and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, currency risk, interest rate 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 on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 and financial guarantees provided by the Group is arising 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 consider that the Group's credit risk on trade debt is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions with high credit ratings.

Other than the above, the Group has significant credit risk on amounts due from former subsidiaries which have been deconsolidated. The Directors consider that the recoverability of amounts due from the former subsidiaries is remote and adequate impairment losses were made in prior year.

The Group's concentration of credit risk by geographical locations is mainly in the People's Republic of China (the "PRC"), which accounted for 61% (2013: 65%) of the total trade receivable as at 31 December 2014.

The Group has concentration of credit risk as 7% (2013: 9%) and 30% (2013: 29%) of the trade receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk

The functional currencies of certain subsidiaries are United States Dollar ("US$") or Renminbi ("RMB").

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the respective functional currency, which expose the Group to foreign currency risk. Approximately 76% (2013: 74%) of the Group's sales and 89% (2013: 92%) of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the sales and purchases. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

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

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**66,976**	59,295	**10,121**	27,078
US$	**512**	511	**–**	–
RMB	**112,621**	119,039	**37,936**	66,491

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK$/US$/RMB.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates.

A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity weaken 5% (2013: 5%) against the relevant foreign currencies. For a 5% (2013: 5%) strengthening the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	HK$		US$		RMB	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**2,374**	1,345	**21**	21	**3,118**	2,194

Interest rate risk

As at 31 December 2014 and 2013, the Group is exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions (note 24) and bank balances (note 25).

As at 31 December 2014 and 2013, the Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk (Continued)

Sensitivity analysis

The Group's deposits in other financial institutions and bank balances are short-term in nature and the exposure of the interest rate is minimal and no sensitivity analysis to interest rate risk on these two items is presented.

The Group's operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

The Group is exposed to liquidity risk as at 31 December 2014 as the Company's convertible notes with outstanding principal amount of HK$302,400,000 which was matured on 15 November 2014. As detailed in note 1, the Directors are of the opinion that the Company will be able to finance its future working capital and to fulfill its financial obligations when they fall due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

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

	Repayable on demand or within 1 year	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014				
Non-derivative financial liabilities				
Trade and bills payables	47,547	–	47,547	47,547
Other payables and accruals	11,969	–	11,969	11,969
Amounts due to former subsidiaries	4,417	–	4,417	4,417
Obligations under finance leases	5	–	5	4
Convertible notes	302,400	–	302,400	302,400
	366,338	–	366,338	366,337

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

	Repayable on demand or within 1 year	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013				
Non-derivative financial liabilities				
Trade and bills payables	94,358	–	94,358	94,358
Other payables and accruals	10,386	–	10,386	10,386
Amounts due to former subsidiaries	7,379	–	7,379	7,379
Obligations under finance leases	5	5	10	9
Convertible notes	302,400	–	302,400	283,459
	414,528	5	414,533	395,591

Note:

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

Fair value measurements of financial instruments

The Directors consider that the carrying amounts of current portion of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially different from their fair values due to their immediate or short-term maturities. The fair value of non-current portion of finance lease equals its carrying amount, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered. As set out in the Company's annual report for the year ended 31 December 2013, following the discontinuance of the property investment operation, the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. Accordingly, the Group's continuing operation is attributable to a single reportable and operating segment under HKFRS 8 and no segment information is presented. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Revenue from continuing operation represents revenue arising on manufacturing and trading of electronic and electrical parts and components.

(a) Geographical information

The Group's continuing operation is mainly located in Hong Kong and the PRC. However, the external customers of the Group are located world-wide, such as Hong Kong, the PRC and Asia Pacific etc.

Information about the Group's revenue from continuing operation from external customers is presented based on the location of customers and information about its non-current assets is presented based on the location of assets as detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000
Hong Kong	**195,549**	175,395	**5,565**	7,257
Elsewhere in the PRC	**312,445**	364,685	**28,106**	45,503
Asia Pacific	**67,188**	89,147	**–**	–
Others	**24,685**	31,161	**–**	–
Total	**599,867**	660,388	**33,671**	52,760

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Information about major customers

During the years ended 31 December 2014 and 2013, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

8. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Continuing operation		
Bank interest income	10	12
Insurance compensation received	658	–
Net gain on disposals of property, plant and equipment	295	869
Recovery of trade receivables previously written off	–	37
Reversal of impairment loss on amount due from a former subsidiary	6,662	–
Reversal of impairment loss on trade receivables	–	318
Reversal of impairment loss on other receivables	14	–
Others	2	5
	7,641	1,241

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operation		
Borrowing costs on obligations under finance leases	1	1
Imputed interest expenses on convertible notes (note 30)	18,941	20,021
	18,942	20,022

10. TAXATION

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group either has no assessable profits arising in Hong Kong or has sufficient tax losses brought forward from previous years to offset the estimated assessable profits for both reporting periods. The tax rate of Hong Kong Profits Tax is 16.5% (2013: 16.5%).

During the years ended 31 December 2014 and 2013, the IRD enquired the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2011/12 (the "Tax Enquiries"). As the assessment would be statutorily time-barred within 7 years from the beginning of the year of assessment which the assessment is related, a protective assessment of approximately HK$1,555,000 and HK$2,395,000, in respect of years of assessment 2006/07 and 2007/08, were raised by the IRD on 7 March 2013 and 18 March 2014 respectively. The subsidiary lodged objections against the assessment and the IRD held over the payment of the profits tax and an equal amount of tax reserve certificates were purchased and recorded as tax recoverable as at 31 December 2013 and 2014 respectively.

Subsequent to the reporting period, in respect of the Tax Enquiries, as the assessment for the year of assessment 2008/09 would be statutorily time-barred by 31 March 2015, a protective assessment of approximately HK$5,217,000 was raised by the IRD on 18 March 2015. The subsidiary lodged an objection against the assessment. As at the date of this report, no replies have been received from the IRD.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiary registered in the PRC is 25% from 1 January 2008 onwards. No provision for the Enterprise Income Tax have been made for the years ended 31 December 2014 and 2013 as the subsidiary of the Company has no assessable profits for both reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. TAXATION *(Continued)*

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Continuing operation		
Loss before taxation	(40,434)	(23,581)
Tax calculated at the domestic income tax rate of 16.5% (2013: 16.5%)	(6,672)	(3,891)
Tax effect of different tax rates	(219)	(199)
Tax effect of expenses that are not deductible in determining taxable profit	4,423	4,472
Tax effect of income that is not taxable in determining taxable profit	(1,102)	(2,103)
Tax effect of other deductible temporary differences not recognised	1,981	1,191
Tax effect of share of loss of joint ventures	1	1
Tax effect of tax losses not recognised	3,063	2,731
Utilisation of tax losses previously not recognised	(1,475)	(2,202)
Taxation	–	–

Details of deferred tax are set out in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. LOSS FOR THE YEAR FROM CONTINUING OPERATION

Loss for the year from continuing operation has been arrived at after charging:

	2014 HK$'000	2013 HK$'000
Cost of inventories recognised as expenses	566,567	615,924
Staff costs (note 12)	32,526	30,464
Depreciation of property, plant and equipment		
– owned assets	23,817	26,076
– assets held under finance leases	5	5
Auditor's remuneration	674	641
Write-offs of property, plant and equipment (included in other expenses)	13	723
Net exchange loss	682	1,294
Impairment loss on interests in joint ventures (included in other expenses)	998	–
Impairment loss on trade receivables	–	8

12. STAFF COSTS

	2014 HK$'000	2013 HK$'000
Continuing operation		
Staff costs (including directors' emoluments) comprise:		
Salaries, allowances and benefits	27,142	29,128
Retirement benefits scheme contributions	998	1,122
Loss of office compensation	4,119	–
Provision for other employee benefits and long service payments	267	214
	32,526	30,464

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For the year ended 31 December 2014

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATION

On 11 November 2012, the Group entered into a sales and purchase agreement with an independent third party to dispose of an investment property owned by a subsidiary of the Company for a consideration of HK$285,000,000 (the "Property Disposal"). The Property Disposal was approved by the independent shareholders of the Company in a special general meeting on 6 November 2012 and the completion of the Property Disposal took place on 3 April 2013. As the property investment segment represents a separate major line of business, the disposal of the investment property was presented as discontinued operation. Details of the Property Disposal were set out in the Company's circular dated 22 October 2012 and annual report for the year ended 31 December 2012.

The results of the discontinued property investment operation for the year ended 31 December 2013 included in the consolidated statement of profit or loss were set out as follows:

	2013 HK$'000
Administrative expenses	(805)
Gain on disposal of an investment property	76
Finance costs	(365)
Loss before taxation	(1,094)
Taxation	–
Loss for the year	(1,094)

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For the year ended 31 December 2014

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATION *(Continued)*

Loss for the year from discontinued property investment operation included the following:

	2013
	HK$'000
Auditor's remuneration	10
Depreciation of property, plant and equipment	4
Borrowing costs on bank borrowings not wholly repayable within five years	365
Write-offs of property, plant and equipment	33
Direct operating expenses arising from investment property that did not generate rental income	178

No charge or credit arose on loss on discontinuance of the operation.

Net cash inflows on discontinued property investment operation were as follows:

	2013
	HK$'000
Operating activities	(533)
Investing activities	250,576
Financing activities	(144,002)
	106,041

14. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

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For the year ended 31 December 2014

15. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the loss for the year from continuing and discontinued operations of approximately HK$40,434,000 (2013: HK$24,675,000) and the weighted average number of approximately 11,966,699,000 (2013: 11,966,699,000) ordinary shares in issue during the reporting period.

From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the loss for the year from continuing operation of approximately HK$40,434,000 (2013: HK$23,581,000) and the weighted average number of approximately 11,966,699,000 (2013: 11,966,699,000) ordinary shares in issue during the reporting period.

From discontinued operation

For the year ended 31 December 2013, basic and diluted loss per share for the discontinued operation attributable to the owners of the Company was HK0.01 cent per share (2014: nil), based on the loss for the year from the discontinued operation of approximately HK$1,094,000 (2014: nil) and the denominators detailed above for both basic and diluted loss per share.

For the years ended 31 December 2014 and 2013, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the years ended 31 December 2014 and 2013 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted loss per share for the years ended 31 December 2014 and 2013 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2013: ten) directors and the chief executive were as follows:

For the year ended 31 December 2014

Name of director	Fees HK$'000	Salaries, allowances and benefits HK$'000	Loss of office compensation HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Lam Yat Keung	600	5,048	–	277	5,925
Lim Chuan Yang (note a)	263	1,354	4,119	101	5,837
Huang Hanshui	600	1,954	–	180	2,734
Wang Zhaofeng (note c)	600	–	–	17	617
Independent Non-Executive Directors					
Ho Chi Fai	90	–	–	–	90
Liu Yanfang	90	–	–	–	90
Ma Hongwei	90	–	–	–	90
	2,333	8,356	4,119	575	15,383

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For the year ended 31 December 2014

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2013

Name of director	Fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
Lam Yat Keung	600	4,715	297	5,612
Lim Chuan Yang (note a)	600	2,449	220	3,269
Huang Hanshui	600	2,067	180	2,847
Lam Hung Kit (note b)	597	524	8	1,129
Wang Zhaofeng (note c)	285	–	8	293
Independent Non-Executive Directors				
Ho Chi Fai	90	–	–	90
Liu Yanfang	90	–	–	90
Ma Hongwei	90	–	–	90
Chau Pong Chi (note d)	53	–	–	53
Ching Betty Siu Kuen (note d)	53	–	–	53
	3,058	9,755	713	13,526

Notes:

(a) Mr. Lim Chuan Yang retired as an Executive Director on 9 June 2014 and stepped down as the chief executive officer of the Company (the "CEO") on 16 June 2014. His emoluments disclosed above included those for services rendered by him as the CEO.

(b) Resigned on 1 July 2013.

(c) Appointed on 10 July 2013.

(d) Resigned on 1 August 2013.

No director and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2014 and 2013.

17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors whose emoluments are disclosed in note 16. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits	3,284	2,572
Retirement benefits scheme contributions	34	30
	3,318	2,602

Their emoluments were within the following band:

	Number of employees	
	2014	2013
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	2	–
	2	2

During the year ended 31 December 2014, except for loss of office compensation paid by the Group to Mr. Lim Chuan Yang as disclosed in note 16 above, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2013, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvements and others HK$'000	Total HK$'000
COST			
At 1 January 2013	166,845	75,968	242,813
Exchange realignment	221	–	221
Additions	17,059	880	17,939
Write-offs	–	(878)	(878)
Disposals	(2,344)	(3,174)	(5,518)
At 31 December 2013 and 1 January 2014	181,781	72,796	254,577
Exchange realignment	(64)	–	(64)
Additions	2,921	5,289	8,210
Write-offs	–	(32)	(32)
Disposals	(19,903)	(3,450)	(23,353)
At 31 December 2014	**164,735**	**74,603**	**239,338**
DEPRECIATION AND IMPAIRMENT			
At 1 January 2013	140,559	46,594	187,153
Exchange realignment	159	–	159
Depreciation provided for the year	9,306	16,779	26,085
Eliminated on write-offs	–	(122)	(122)
Eliminated on disposals	(1,826)	(3,171)	(4,997)
At 31 December 2013 and 1 January 2014	148,198	60,080	208,278
Exchange realignment	(48)	–	(48)
Depreciation provided for the year	10,653	13,169	23,822
Eliminated on write-offs	–	(19)	(19)
Eliminated on disposals	(19,655)	(1,727)	(21,382)
At 31 December 2014	**139,148**	**71,503**	**210,651**
CARRYING VALUES			
At 31 December 2014	**25,587**	**3,100**	**28,687**
At 31 December 2013	33,583	12,716	46,299

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

Plant and machinery	10% to 30%
Leasehold improvements and others	10% to 30% or over the term of lease

The carrying value of the Group's office equipment grouped under leasehold improvements and others includes an amount of approximately HK$4,000 (2013: HK$8,000) in respect of assets held under finance leases.

19. INTERESTS IN JOINT VENTURES

	2014 HK$'000	2013 HK$'000
Cost of unlisted investment in joint ventures	5,998	5,998
Less: Impairment loss	(998)	–
Share of post-acquisition losses and other comprehensive expenses	(16)	(7)
	4,984	5,991

Details of each of the Group's joint ventures, which are accounted for using the equity method in the consolidated financial statements, as at 31 December 2014 and 2013, are as follows:

Name	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest and voting power held by the Group				Principal activities
					2014		2013		
					Direct	Indirect	Direct	Indirect	
Semtech International (B.V.I.) Limited ("Semtech BVI")	Corporation	British Virgin Islands	Hong Kong	Ordinary	50%	–	50%	–	Investment holding
Semtech Electronics Limited ("Semtech Electronics")	Corporation	Hong Kong	Hong Kong	Ordinary	–	50%	–	50%	Trademark holding

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19. INTERESTS IN JOINT VENTURES *(Continued)*

Since the disposal of 50% equity interest in Semtech BVI as set out in note 35, the Group's remaining 50% equity interest in Semtech BVI and its wholly-owned subsidiary, Semtech Electronics (collectively referred to as "Semtech BVI Group") have been classified as joint ventures on the basis that certain significant decisions about the financial and operating activities of the Semtech BVI Group require the unanimous consent of both the Group and the other shareholder of Semtech BVI Group.

Semtech BVI is the only directly held joint venture of the Group. Summarised financial information of Semtech BVI Group is set out below. The summarised financial information below represents amounts shown in Semtech BVI's consolidated management accounts prepared in accordance with HKFRSs.

	2014 HK$'000	2013 HK$'000
Current assets	4	1
Non-current assets	12,000	12,000
Current liabilities	(41)	(20)
The above amounts of assets and liabilities include the following:		
Current financial liabilities (excluding trade and other payables and provisions)	(31)	(10)

	Year ended 31 December 2014 HK$'000	Period from 1 June 2013 to 31 December 2013 HK$'000
Loss and total comprehensive expenses for the year/period	18	14

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19. INTERESTS IN JOINT VENTURES *(Continued)*

	2014 HK$'000	2013 HK$'000
Net assets of Semtech BVI Group	11,963	11,981
Proportion of the Group's ownership interest in Semtech BVI Group	50%	50%
Impairment losses recognised	(998)	–
Carrying amount of the Group's interest in Semtech BVI Group	4,984	5,991

As at 31 December 2014, the management of the Group reviewed the interests in joint ventures for impairment and determined that interests in joint ventures was impaired based on a valuation on trademarks held by the joint ventures. The fair value of trademarks, measured by an independent professional valuer not connected with the Group, was determined using the income approach based on financial budgets approved by the management. The unobservable inputs used in level 3 fair value measurements included the following:

(i) royalty rate of 0.38% (2013: 0.38%);

(ii) discount rate of 17.99% (2013: 19.64%) per annum; and

(iii) revenue growth rate in the range of 1% to 5% per annum for the first three years and 3% per annum for periods beyond three years.

Based on the results of the valuation, the management of the Group determined that impairment losses on interests in joint ventures amounted to approximately HK$998,000 (2013: nil).

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20. INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**36,518**	53,706
Work-in-progress	**1,577**	2,568
Finished goods	**70,144**	80,505
	108,239	136,779

21. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days (2013: 30 to 120 days) to its trade customers.

	2014	2013
	HK$'000	HK$'000
Trade and bills receivables	**204,940**	194,388
Less: Accumulated impairment	**(162)**	(231)
	204,778	194,157

The Group did not hold any collateral over the trade and bills receivables.

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21. TRADE AND BILLS RECEIVABLES *(Continued)*

The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the due date at the end of the reporting periods:

	2014 HK$'000	2013 HK$'000
Current	157,245	163,605
Overdue:		
– within 3 months	35,405	27,067
– 4-6 months	10,393	2,494
– 7-12 months	1,735	991
	47,533	30,552
	204,778	194,157

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$47,533,000 (2013: HK$30,552,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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21. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the impairment on trade receivables:

	2014	2013
	HK$'000	HK$'000
Balance at beginning of the year	**231**	541
Impairment loss recognised	**–**	8
Impairment loss reversed	**–**	(318)
Amount written off as uncollectible	**(69)**	–
Balance at end of the year	**162**	231

Included in the impairment on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$162,000 (2013: HK$231,000) since the management considered the prolonged outstanding balances were uncollectible.

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2014	2013
	'000	'000
HK$	**66,850**	47,076
RMB	**89,161**	93,801

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Prepayments, deposits and other receivables	**22,284**	21,516
Less: Accumulated impairment	**(19,585)**	(19,599)
	2,699	1,917

The Group did not hold any collateral over the other receivables.

Movement in the impairment on prepayments, deposits and other receivables:

	2014	2013
	HK$'000	HK$'000
Balance at beginning of the year	**19,599**	19,599
Impairment loss reversed	**(14)**	–
Balance at end of the year	**19,585**	19,599

Included in the impairment on prepayments, deposits and other receivables are individually impaired other receivables with an aggregate balance of approximately HK$19,585,000 (2013: HK$19,599,000) since the management considered the prolonged outstanding balances were uncollectible.

Included in prepayments, deposits and other receivables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2014	2013
	'000	'000
HK$	**5**	8
RMB	**25**	–

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23. AMOUNTS DUE FROM (TO) FORMER SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

Amounts due from (to) former subsidiaries were as follows:

	2014 HK$'000	2013 HK$'000
Amounts due from former subsidiaries (note)	–	–
Amounts due to former subsidiaries	4,417	7,379

Note:

	2014 HK$'000	2013 HK$'000
Amounts due from former subsidiaries	172,244	178,906
Less: Accumulated impairment	(172,244)	(178,906)
	–	–

Movement in the impairment on amounts due from former subsidiaries:

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	178,906	178,906
Impairment loss reversed	(6,662)	–
Balance at end of the year	172,244	178,906

During the year ended 31 December 2014, the Group has recovered partial amount due from a former subsidiary of approximately HK$6,662,000 from liquidators of CITIC Logistics (International) Company Limited (in liquidation) ("CLI").

Included in the impairment on amounts due from former subsidiaries are individually impaired amounts due from former subsidiaries with an aggregate balance of approximately HK$172,244,000 (2013: HK$178,906,000) which have been placed under liquidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

24. DEPOSITS IN OTHER FINANCIAL INSTITUTIONS

The amounts at 31 December 2014 and 2013 represented deposits placed with securities brokers for trading securities and carried interest at prevailing market rates.

25. BANK BALANCES AND CASH

At 31 December 2014 and 2013, cash at bank carried interest at floating rates based on daily bank deposits rates.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2014	2013
	'000	'000
HK$	**90**	12,201
US$	**66**	66
RMB	**38**	26

26. TRADE AND BILLS PAYABLES

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

	2014	2013
	HK$'000	HK$'000
Current	**42,577**	85,958
Overdue:		
– within 3 months	**3,876**	7,493
– 4-6 months	**905**	800
– 7-12 months	**4**	–
– over 12 months	**185**	107
	47,547	94,358

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26. TRADE AND BILLS PAYABLES *(Continued)*

The average credit period on purchases is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2014	2013
	'000	'000
HK$	**9,092**	26,095
RMB	**26,318**	48,804

27. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2014	2013
	'000	'000
HK$	**1,029**	983
RMB	**3,736**	3,605

28. FINANCIAL GUARANTEE LIABILITIES

During the year ended 31 December 2013, provision of approximately HK$260,000 was made in respect of the Company's guarantee on the borrowing of HK$8,000,000 made by an independent third party to CLI, a former subsidiary of the Company. The provision for financial guarantee was discharged upon full settlement by the Company on 17 April 2013.

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29. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its office equipment under finance leases for its business operation. The lease term is 5 years (2013: 5 years). Interest rate underlying obligations under finance leases was fixed at respective contract dates and was 2.5% (2013: 2.5%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases repayable:				
Within one year	**5**	5	**4**	5
In the second to fifth years inclusive	**–**	5	**–**	4
	5	10	**4**	9
Less: Future finance charges	**(1)**	(1)	**N/A**	N/A
Present value of lease obligations	**4**	9	**4**	9
Less: Amounts due within one year shown under current liabilities			**(4)**	(5)
Amounts due after one year			**–**	4

The Group's obligations under finance leases denominated in HK$ are secured by the lessors' charge over the leased assets.

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30. CONVERTIBLE NOTES

On 19 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CLI. Details of the transaction are set out in the Company's circular dated 16 October 2009. The sole holder of the convertible notes, Mr. Li Weimin ("Mr. Li"), was appointed as an executive director of the Company on 24 December 2009 and his office as director of the Company was vacated with effect from 8 November 2012.

Details of the Group's convertible notes outstanding as at 31 December 2014 and 2013 are set out below:

Date of issue	:	19 November 2009
Principal amount	:	HK$950,400,000
Outstanding principal amount at the end of the reporting period	:	HK$302,400,000
Coupon rate	:	Nil
Conversion price	:	HK$0.12 per share
Conversion period	:	The period commencing from the date of issue of the convertible notes and ending on the maturity date
Collaterals	:	Nil
Maturity date	:	15 November 2014

Subject to the occurrence of an event of default (as defined in the terms and conditions of the convertible notes), the convertible notes may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the maturity date by giving not less than seven days notice to the holder of the convertible notes.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity under the heading of convertible notes reserve. The effective interest rate of the liability component of the convertible notes is 7.60% per annum. The liability and equity components of the convertible notes are measured at fair values at the date of issue and the valuation was determined by an independent valuer.

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For the year ended 31 December 2014

30. CONVERTIBLE NOTES *(Continued)*

On 14 November 2014, the Company and Mr. Li entered into a deed of variation, pursuant to which it was agreed that, subject to the fulfilment of conditions precedent, (i) the maturity date of the outstanding convertible notes would be extended from 15 November 2014 to 31 December 2016; and (ii) the conversion price of HK$0.12 per share would be adjusted to HK$0.035 per share. Save for the above alterations, all other terms and conditions of the outstanding convertible notes remained unchanged. On 9 January 2015, the alteration of terms became effective upon the passing of the ordinary resolution in a special general meeting held on 9 January 2015. Details are set out in the Company's circular dated 19 December 2014 and announcements dated 14 November 2014, 17 November 2014 and 9 January 2015.

As at 31 December 2013, the principal amount of convertible notes remained outstanding is HK$302,400,000 of which 2,520,000,000 potential shares will be issued upon their conversions. As at 31 December 2014, the principal amount of convertible notes remained outstanding is HK$302,400,000.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2014 and 2013 are set out below.

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2013	263,438	92,707	356,145
Imputed interest charged to the consolidated statement of profit or loss (note 9)	20,021	–	20,021
At 31 December 2013 and 1 January 2014	283,459	92,707	376,166
Imputed interest charged to the consolidated statement of profit or loss (note 9)	18,941	–	18,941
At 31 December 2014	302,400	92,707	395,107

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31. EMPLOYEE BENEFITS

	2014 HK$'000	2013 HK$'000
Liabilities for employee benefit comprise:		
Annual leave payments accrual	**1,668**	1,443
Long service payments obligation (note 39)	**143**	101
	1,811	1,544
Categorised as:		
Due within one year (included in other payables and accruals)	**1,668**	1,443
Due after one year (shown under non-current liabilities)	**143**	101
	1,811	1,544

32. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the years ended 31 December 2014 and 2013:

	Accelerated tax depreciation and impairment of property, plant and equipment HK$'000	**Impairment on trade receivables** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2013	2,780	(90)	(2,690)	–
(Credited) charged to profit or loss	(2,735)	90	2,645	–
At 31 December 2013 and 1 January 2014	45	–	(45)	–
(Credited) charged to profit or loss	(31)	–	31	–
At 31 December 2014	14	–	(14)	–

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32. DEFERRED TAX *(Continued)*

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

	2014	2013
	HK$'000	HK$'000
Deferred tax liabilities	**14**	45
Deferred tax assets	**(14)**	(45)
	–	–

As at 31 December 2014, the Group has unused estimated tax losses of approximately HK$118,747,000 (2013: HK$110,663,000). A deferred tax asset has been recognised in respect of such tax losses of approximately HK$90,000 (2013: HK$278,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$118,657,000 (2013: HK$110,385,000) due to the unpredictability of future profits streams.

Included in unrecognised tax losses are losses of approximately HK$7,504,000 (2013: HK$4,950,000) that will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

As at 31 December 2014, the Group has deductible temporary differences of approximately HK$19,282,000 (2013: HK$7,275,000). No deferred tax asset is recognised in respect of these deductible temporary differences as at 31 December 2014 and 2013 due to the unpredictability of future profits streams.

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33. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorised ordinary shares of HK$0.01 each:		
At 1 January 2013, 31 December 2013 and 31 December 2014	30,000,000	300,000
Issued and fully paid ordinary shares of HK$0.01 each:		
At 1 January 2013, 31 December 2013 and 31 December 2014	11,966,699	119,667

34. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 28 November 2002 (the "2002 Share Option Scheme") for the purpose of providing incentives or rewards to wider classes of person or entity to be the participants (the "Participants") thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

On 8 June 2012, a new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company, pursuant to an ordinary resolution passed at the annual general meeting held on 8 June 2012. The 2002 Share Option Scheme was terminated accordingly on the same day and no further options will be granted under the 2002 Share Option Scheme but in all other respects, the provision of the 2002 Share Option Scheme shall remain in full force and effect in respect of any options granted prior to the adoption of the 2012 Share Option Scheme and any such options shall continue to be valid and exercisable in accordance with their terms of issue. The 2012 Share Option Scheme will be expired on 7 June 2022.

34. SHARE OPTION SCHEME *(Continued)*

Terms of 2012 Share Option Scheme

Pursuant to the terms of the 2012 Share Option Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares:

(a) any eligible employee;
(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
(c) any supplier of goods or services to any member of the Group or any Invested Entity;
(d) any customer of the Group or any Invested Entity;
(e) any person or entity that provides research, development or technological support or services to the Group or any Invested Entity;
(f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
(g) any ex-employee who has contributed to the development and growth of the Group and any Invested Entity.

The basis of eligibility of any of the above class of Participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity based on his work experience, industry knowledge or other relevant factors, or is expected to be able to contribute to the business development of the Group and any Invested Entity based on his business connections or other relevant factors, and subject to such conditions as the Directors think fit.

The subscription price for the shares under the 2012 Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

Notes to the Consolidated Financial Statements

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34. SHARE OPTION SCHEME *(Continued)*

Terms of 2012 Share Option Scheme *(Continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the 2012 Share Option Scheme is conditionally adopted by the Company at a general meeting of the shareholders.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of any options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Unless the Directors otherwise determined and stated in the offer of the grant of options to a Participant, a Participant is not required to achieve any performance targets before any options granted under the 2012 Share Option Scheme can be exercised.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding and exercisable under the 2002 Share Option Scheme was 965,651,000 (2013: 1,078,793,000) representing 8% (2013: 9%) of the shares of the Company in issue at that date. No option was granted under the 2012 Share Option Scheme during the year ended 31 December 2014 (2013: nil).

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34. SHARE OPTION SCHEME *(Continued)*

The following tables disclosed the movements of the Company's share options for the years ended 31 December 2014 and 2013:

			Number of share options		
Participants	**Date of grant**	**Exercise price per share**	**Outstanding at 1 January 2013 and 31 December 2013** '000	**Lapsed during the year** (note) '000	**Outstanding at 31 December 2014** '000
Directors	6 December 2010	HK$0.305	86,828	–	86,828
	30 November 2011	HK$0.098	113,142	(113,142)	–
Employees	30 November 2011	HK$0.098	565,711	–	565,711
Customers, suppliers and	6 December 2010	HK$0.305	86,828	–	86,828
other eligible persons	30 November 2011	HK$0.098	226,284	–	226,284
			1,078,793	(113,142)	965,651
Exercisable at the end of the reporting period					965,651
Weighted average exercise price			HK$0.131	HK$0.098	HK$0.135

Note:

The participant, Mr. Lim Chuan Yang, retired as an Executive Director on 9 June 2014 and stepped down as the CEO on 16 June 2014. Pursuant to the provisions of the 2012 Share Option Scheme, share options granted to Mr. Lim Chuan Yang lapsed on 16 June 2014.

The options outstanding at 31 December 2014 had an exercisable period of 10 years from the date of grant and a weighted average remaining contractual life of 6.7 years (2013: 7.8 years).

35. LOSS OF CONTROL OVER SUBSIDIARIES

On 31 May 2013, a directly wholly-owned subsidiary, Sino-Tech International (B.V.I.) Limited ("ST-BVI") as vendor, and an independent third party as purchaser (the "Purchaser") entered into a sales and purchase agreement, pursuant to which, ST-BVI disposed of 50% equity interest in Semtech BVI at a cash consideration of HK$5,000,000 (the "Semtech Disposal"). The completion of the Semtech Disposal took place on 31 May 2013, after which the Group retained 50% equity interest in the Semtech BVI Group, and the Semtech BVI Group became joint ventures of the Group as certain significant decisions about the financial and operating activities of Semtech BVI require the unanimous consent of both the Group and the Purchaser in accordance with the shareholders' agreement.

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35. LOSS OF CONTROL OVER SUBSIDIARIES *(Continued)*

The net liability of the Semtech BVI Group over which control was lost at the date of completion of the Semtech Disposal and the gain on loss of control were as follows:

	As at 31 May 2013 HK$'000
Analysis of net liability over which control was lost:	
Accrued expenses and net liability disposed of	4

Gain on loss of control over subsidiaries:

	HK$'000
Cash consideration received	5,000
Remeasurement of retained 50% equity interest at its fair value (note)	5,998
Net liability disposed of	4
Gain on loss of control over subsidiaries	11,002

Cash inflow arising from loss of control over subsidiaries:

	HK$'000
Cash consideration received	5,000

Note:

The Semtech BVI Group is the registered owner of various trademarks. The fair value of the Semtech BVI Group as at 31 May 2013 amounted to approximately HK$11,996,000 comprising the fair value of trademarks and accrued expenses in amounts of HK$12,000,000 and approximately HK$4,000, respectively. The fair value of trademarks, measured by Asset Appraisal Limited, an independent professional valuer not connected with the Group, is determined using the income approach. The followings are the key model inputs used in determining the fair value:

– assumed discount rate of 19.28%; and

– assumed revenue growth rate of 10% for the first three years and revenue growth rate of 3% for periods beyond three years.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current asset		
Investments in subsidiaries	46,400	46,400
Current assets		
Prepayments, deposits and other receivables	938	187
Amounts due from subsidiaries (note a)	182,642	182,642
Amounts due from former subsidiaries (note a)	–	–
Bank balances and cash	25,360	42,768
	208,940	225,597
Current liabilities		
Other payables and accruals	3,166	2,843
Convertible notes	302,400	283,459
	305,566	286,302
Net current liabilities	(96,626)	(60,705)
Total assets less current liabilities	(50,226)	(14,305)
Net liabilities	(50,226)	(14,305)
Capital and reserves		
Share capital	119,667	119,667
Reserves (note b)	(169,893)	(133,972)
Capital deficiency	(50,226)	(14,305)

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) Movements in the reserves during the years are as follows:

	Share premium	Contributed surplus	Share-based compensation reserve	Convertible notes reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	2,210,494	62,315	43,722	92,707	(2,667,343)	(258,105)
Profit and total comprehensive income for the year	–	–	–	–	124,133	124,133
At 31 December 2013 and 1 January 2014	2,210,494	62,315	43,722	92,707	(2,543,210)	(133,972)
Loss and total comprehensive expense for the year	–	–	–	–	(35,921)	(35,921)
Share options lapsed	–	–	(3,676)	–	3,676	–
At 31 December 2014	**2,210,494**	**62,315**	**40,046**	**92,707**	**(2,575,455)**	**(169,893)**

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37. LEASE COMMITMENTS

The Group as lessee

	2014 HK$'000	2013 HK$'000
Lease payments paid under operating leases in respect of:		
– land and buildings	**9,089**	8,920
– others	**11,117**	10,727
	20,206	19,647

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:

	2014 HK$'000	2013 HK$'000
Within one year	**15,005**	13,897
In the second to fifth years inclusive	**20,539**	12,179
Over five years	**8**	–
	35,552	26,076

Operating lease payments represent rentals payable by the Group for certain of its godowns, offices, production plant, equipment and motor vehicles. Leases are negotiated for original terms ranging from 2 to 6 years (2013: 2 to 5 years). Rentals are fixed over the terms of respective leases.

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38. CAPITAL COMMITMENTS

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	3,997

39. RETIREMENT BENEFIT OBLIGATIONS

(a) Long service payments obligation

	2014 HK$'000	2013 HK$'000
Long service payments obligation (note 31)	143	101

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group at a discount rate of 8% (2013: 8%) and an assumed retirement age of 65 years old. The Group does not set aside any assets to fund any remaining obligations.

Movement for the year:

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	101	86
Increase in obligation (included in staff costs under administrative expenses)	42	15
Balance at end of the year	143	101

39. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(b) Retirement benefit scheme contributions

Hong Kong

The Group joins a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employee contributes 5% of the relevant payroll to the MPF Scheme while the Group contributes from 5% to 10% of the relevant payroll to the MPF Scheme. For those making contributions to the scheme at 5% of the employees' relevant income, it is subject to a cap of monthly relevant income of HK$25,000. Starting from 1 June 2014, the cap is revised to monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement date. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

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40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties:

(a) The following balances were outstanding at the end of the reporting period:

	Amounts due from related parties		Amounts due to related parties	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
A joint venture (note)	**31**	10	**–**	–
Directors' emoluments payable (included in other payables)	**–**	–	**1,681**	910

Note:

The amount due from a joint venture was unsecured, interest-free and repayable on demand. The balance was denominated in HK$ other than the functional currency of the respective reporting entity of the Group.

(b) As set out in note 35, Semtech BVI Group is the registered owner of various trademarks. Those trademarks are provided for the Group's use at nil consideration.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

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

	2014	2013
	HK$'000	HK$'000
Short-term benefits	**10,689**	12,813
Loss of office compensation	**4,119**	–
Post-employment benefits	**575**	713
	15,383	13,526

The remuneration of Directors and key executives was determined by the remuneration committee and the board of Directors having regard to the performance of individuals and market trends.

41. CONTINGENT LIABILITIES

On 15 July 2009, one of the subsidiaries of Classic Line International Limited ("Classic Line"), a former subsidiary of the Company, has been and is the subject of a judgement (in the amount of US$13.5 million) obtained in a United States court in an action in respect of damages allegedly arising out of use of fire lighters sold by the subsidiary of Classic Line. The Company is one of the co-defendants in the case. On 28 September 2009, the Company entered into an agreement to dispose of the entire equity interest in Classic Line and the disposal was completed on 31 October 2009.

Based on the legal advice received by the Company, the Directors considered that the Company has valid grounds in opposing the enforcement of any judgement of the said case against the Company, if obtained, in Hong Kong and Bermuda. Accordingly, no provision has been made in the consolidated financial statements.

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42. PRINCIPAL SUBSIDIARIES

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

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up ordinary share/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				2014		2013		
				Direct %	Indirect %	Direct %	Indirect %	
ST-BVI	Corporation	British Virgin Islands	US$2	100	–	100	–	Investment holding
China LWM Property Limited	Corporation	Hong Kong	HK$1	–	100	–	100	Property investment and provision of sub-letting service
Fast Harvest Limited	Corporation	Hong Kong	HK$2	–	100	–	100	Provision of management service
LWM Management Limited	Corporation	Hong Kong	HK$1	–	100	–	100	Provision of management service
Semtech RFID Limited	Corporation	Hong Kong	HK$100	–	100	–	100	Trading of radio-frequency identification tag and antenna
Super Victory Enterprises Limited	Corporation	Hong Kong	HK$2	–	100	–	100	Manufacture and trading of electronic and electrical parts and components
東莞泰豐射頻識別有限公司 (note)	Corporation	PRC	US$1,500,000	–	100	–	100	Manufacture and trading of radio-frequency identification tag and antenna

Note: The company is a foreign enterprise in the PRC.

42. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets 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 subsisting at the end of both years or at any time during the years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2014	2013
Investment holding	British Virgin Islands	**5**	5
Not commenced business yet	Hong Kong	**2**	2
Inactive	British Virgin Islands	**2**	2
Inactive	Hong Kong	**1**	1

43. EVENT AFTER THE REPORTING PERIOD

As at 31 December 2014, the principal amount of convertible notes that remained outstanding was HK$302,400,000. The Company and the convertible notes holder entered into the deed of variation dated 14 November 2014, pursuant to which it was agreed that, subject to the fulfilment of conditions precedent, (i) the maturity date of the outstanding convertible notes in the principal amount of HK$302,400,000 would be extended from 15 November 2014 to 31 December 2016; and (ii) the original conversion price of HK$0.12 per share would be adjusted to the conversion price of HK$0.035 per share. On 9 January 2015, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date and the adjustment of the conversion price of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 November 2014, 17 November 2014 and 9 January 2015, as well as the circular of the Company dated 19 December 2014.

The extension of the maturity date and the adjustment of the conversion price resulted in the extinguishment of the financial liability of the convertible notes and the recognition of new financial liability and equity components. On 9 January 2015, the carrying values of liability component and equity component of the convertible notes immediately before the modification were approximately HK$302,400,000 and HK$92,707,000 respectively. According to a valuation report issued by an independent professional valuer not connected with the Group, the fair value of the new liability component and equity component immediately following the modification are approximately HK$274,579,000 and HK$57,442,000. The estimated financial effect of the above is a recognition of gain of approximately HK$27,821,000 credited to profit or loss and a transfer of approximately HK$35,265,000 from the convertible notes reserve to accumulated losses during the year ending 31 December 2015.

Summary of Financial Information

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the bases set out in the note below is as follows. This summary does not form part of the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000 Restated	HK$'000
Revenue	**599,867**	660,388	572,451	742,279	785,121
Loss before taxation	**(40,434)**	(23,581)	(80,710)	(176,157)	(527,826)
Net loss attributable to owners of the Company	**(40,434)**	(24,675)	(339,412)	(934,159)	(532,180)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000 Restated	HK$'000
Total assets	**399,871**	469,046	662,123	1,186,880	1,913,677
Total liabilities	**(368,373)**	(397,136)	(565,509)	(720,952)	(876,696)
Non-controlling interests	**–**	–	–	(50,953)	–
	31,498	71,910	96,614	414,975	1,036,981

Note: The results of the Group for the years ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 have been extracted from the audited consolidated financial statements for the years ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 and restated upon the adoption of the new or amended HKFRSs as appropriate.