HKSE: 1263

栢能集團有限公司*

PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

2014 Annual Report

* For identification purposes only

Contents

Company Profile	2
Corporate Information	4
Chairman's Statement	6
Management Discussion and Analysis	9
Corporate Governance Report	16
Directors and Senior Management	23
Report of the Directors	27
Independent Auditor's Report	33
Consolidated Statement of Comprehensive Income	35
Consolidated Statement of Financial Position	36
Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	43

Company Profile

PC Partner is a leading manufacturer of computer electronics. Our key products are video graphics cards, motherboards and mini-PCs. We are also offering one-stop electronic manufacturing services to reputable brands all over the world.

As one of the leaders in the industry, we leverage our extraordinary research and development capabilities and state-of-the-art production facilities to constantly bring new product ideas and leading-edge innovations to the market. We endeavour to stay ahead of the industry to ensure success and competitiveness in serving the needs of our customers.

We are a technology company with a global vision.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Shik Ho Tony
(Chairman and Chief Executive Officer)
Mr. WONG Fong Pak *(Executive Vice President)*
Mr. LEUNG Wah Kan *(Chief Operation Officer)*
Mr. HO Nai Nap
Mr. MAN Wai Hung

Non-executive Director

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

Independent non-executive Directors

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing
Mr. CHEUNG Ying Sheung

REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

COMPANY SECRETARY

Ms. LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEUNG Sau Fong

AUDITOR

BDO Limited
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

Woo Kwan Lee & Lo
26/F., Jardine House
1 Connaught Place
Central
Hong Kong

Troutman Sanders
34/F., Two Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Shatin Galleria
18–24 Shan Mei Street
Fo Tan
Shatin
New Territories

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited

WEBSITE

www.pcpartner.com

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of PC Partner Group Limited ("PC Partner" or the "Company") together with its subsidiaries (the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2014 (the "year under review").

Following the volatile global economy in 2013, the operating environment remained challenging in 2014. The Group faced price pressure from competitors for clearing excessive inventory in the third quarter of 2014 which posted an adverse impact on the financial results. In view of these challenges, the Company adopted a prudent business strategy with regaining strength and achieved profit at the same level as the corresponding period of last year.

PERFORMANCE

Due to the dramatic decline in the demand for video graphics cards following the burst of Bitcoin bubble in the second quarter of 2014, we took proactive measures to minimise the risk of holding excessive inventory, including offering price discount and reducing size of production order. Although the inventory clearance took longer than expected till August 2014, Our fast-than-expected recovery actually provided us more room to focus on the new video graphics cards series, which was launched in September 2014. We successfully captured a high market share on the enthusiast level of the video graphics cards under our own brands in the last quarter of the year.

Revenue from the video graphics cards segment for Original Design Manufacturer/Original Equipment Manufacturing ("ODM/OEM"), which represents approximately 40.0% of the overall video graphics cards segment, has declined by HK$125.2 million or 8.6%, while the own brands video graphics cards segment, representing the remaining 60.0%, has shown a growth of HK$164.2 million or 8.7%. Revenue on the other PC related products and components segment has shown a strong growth of HK$112.9 million or 26.2%, which fully offset the decline of HK$59.8 million or 5.8% in the Electronics manufacturing services (EMS) segment.

Although only HK$5.6 million profit has been made in the first half of the year, we managed to achieve HK$45.2 million profit in the second half, outperforming the corresponding period of last year. This improvement was mainly attributable to the combined efforts of teamwork and risk management on new products series, improved product mix, and a stringent cost control.

The Board proposes a payment of a final dividend of Hong Kong 4.5 cents per share.

OUTLOOK

Most major foreign currencies experienced depreciation against United States Dollar and the European debt crisis remain unresolved. With the uncertainties under the macroeconomic environment such as the recent Russia's financial crisis and the political turmoil in Eastern Europe may lower the demand for high-end computer and electronic products. Fortunately, the United States economy is relatively stable with signs of a gradual pick-up in domestic consumption. With strong fundamentals built up over the years, the Group will leverage its core technical strength and know-how to deliver more cost effective and innovative products and solutions to meet with the market demand. We will also speed up the automation process and continue to improve operational efficiency in order to reduce the potential impact of additional labour cost arose from the purposed increase of minimum wages to the Group.

In addition, the Group will continue to expand its business network and channels and strengthen the promotion of its brand name and products. We will continue to capture potential business opportunities under the EMS segment and allocate more resources on those business areas with prosperous growth potentials. Nevertheless, we will also seek for potential acquisition opportunities that can generate synergy with our existing business in order to maximize return to our shareholders.

Finally, I would like to thank all employees again for their dedication and contribution, my fellow directors for their counsel and all shareholders, customers and suppliers for their support throughout the year.

WONG Shik Ho Tony
Chairman and Chief Executive Officer

Hong Kong, 23 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the design, development, and manufacturing of video graphics cards for desktop PCs, electronics manufacturing services ("EMS"), and manufacturing and trading in other PC related products and components.

The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturing ("ODM/OEM") customers and also manufactures and markets video graphics cards and other PC products under its own ZOTAC, Inno3D and Manli brands. The relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remained as the core business of the Group for the year under review.

Management Discussion and Analysis

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for providers of Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, fitness electronic products, Light Emitting Diode ("LED") modules and a number of other customers. Beside the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

Business Performance

The Group's total revenue has been increased by HK$92.1 million or 1.9%, from HK$4,803.1 million in 2013 to HK$4,895.2 million in 2014. It was mainly due to an increase in the Asia Pacific ("APAC"), North and Latin America ("NALA"), and People's Republic of China ("PRC") market/region by a total of HK$240.8 million, which fully offset the decline in the Europe, Middle East, Africa and India ("EMEAI") region by HK$148.6 million or 15.3% from HK$968.7 million in 2013 to HK$820.1 million in 2014.

APAC region

APAC region experienced an increase in revenue by HK$107.9 million or 5.0%, from HK$2,138.3 million in 2013 to HK$2,246.2 million in 2014. This was mainly resulted from an increase in sales of video graphics cards to the ODM/OEM contracting manufacturing customers and the own brands business in the region.

EMEAI region

EMEAI region experienced a decline in revenue of HK$148.6 million or 15.3%, from HK$968.7 million in 2013 to HK$820.1 million in 2014. This was mainly attributable to decline in orders from EMS customers purchasing LED modules by HK$45.3 million or 63.0% from HK$71.9 million in 2013 to HK$26.6 million in 2014; and termination of the business with the customer of Internet Media Tablets during the year which resulted in a decline on revenue for HK$47.1 million.

NALA region

NALA region recorded a growth in revenue of HK$56.4 million or 8.2%, from HK$691.0 million in 2013 to HK$747.4 million in 2014. It was mainly attributable to revenue contribution from an increase of own brand business on both the video graphics cards and the other PC related products and components for HK$83.8 million or 28.8% from HK$290.5 million in 2013 to HK$374.3 million in 2014.

PRC region

PRC region recorded a growth in revenue of HK$76.5 million or 7.6%, from HK$1,005.0 million in 2013 to HK$1,081.5 million in 2014. This was mainly attributed to the sales increment in video graphics cards in the region.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's total revenue has been increased by HK$92.1 million or 1.9%, from HK$4,803.1 million in 2013 to HK$4,895.2 million in 2014. It was mainly attributable to the increase in revenue on video graphics cards and other PC related products and components by HK$38.9 million and HK$112.9 million respectively, which was fully offset by the decrease in revenue from EMS by HK$59.8 million.

Revenue from video graphics cards increased by HK$38.9 million or 1.2%, from HK$3,347.7 million in 2013 to HK$3,386.6 million in 2014. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK$164.2 million or 8.7%, from HK$1,884.7 million in 2013 to HK$2,048.9 million in 2014, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK$125.2 million or 8.6%, from HK$1,463.0 million in 2013 to HK$1,337.8 million in 2014.

Revenue derived from the EMS businesses decreased by HK$59.8 million or 5.8%, from HK$1,024.6 million in 2013 to HK$964.8 million in 2014. The decrease was mainly due to a decrease in sales of LED modules and termination of business on Internet Media Tablets and flash memory modules which was partially offset by higher demand in both POS and ATM systems, fitness electronic products, and other EMS products.

Revenue from other PC related products and components increased by HK$112.9 million or 26.2%, from HK$430.8 million in 2013 to HK$543.7 million in 2014. The increase was mainly attributable to increase in sales of mini-PCs and trading in components during the year.

Gross Profit and Margin

The gross profit of the Group for 2014 was HK$479.0 million, representing an increase of HK$0.6 million or 0.1% compared with HK$478.4 million in 2013. Gross profit margin for 2014 has been decreased by 0.2 percentage points from 10.0% in 2013 to 9.8% in 2014. This was mainly due to a decline on gross profit margin for the first half year in 2014 with gross profit margin at 8.9%; the gross profit margin for the second half year in 2014 has been improved to 10.6% which resulted in 9.8% for the full year in 2014. Operational efficiency has been improved as a result of the reduction of conversion cost to revenue ratio from 5.8% in 2013 to 5.1% in 2014, which has partially offset the increase on material cost to revenue ratio from 84.2% in 2013 to 85.1% in 2014.

Management Discussion and Analysis

Profit for the year

The profit for the year in 2014 was HK$51.3 million, representing a decrease of HK$21.8 million or 29.8% over 2013 of HK$73.1 million. The decrease of the profit for the year was mainly due to net exchange losses on Renminbi for HK$14.9 million and the net fair value losses on derivative financial instruments on Renminbi for HK$14.2 million.

Selling and distribution expenses decreased by HK$1.1 million or 1.2%, from HK$95.5 million in 2013 to HK$94.4 million in 2014. Selling and distribution expense to revenue ratio has been decreased by 0.1 percentage point from 2.0% in 2013 to 1.9% in 2014. This was mainly attributable to the reduction of marketing spending in the second half year.

Administrative expenses increased by HK$4.5 million or 1.5%, from HK$296.3 million in 2013 to HK$300.8 million in 2014. It was mainly due to higher staff costs which due to salary increment which offset the savings on other administrative items.

Finance costs were flatted at approximately HK$10.8 million in 2013 and 2014 as the bank interest rates remained stable.

Income tax expense was increased by HK$0.8 million or 6.2%, from HK$12.8 million in 2013 to HK$13.6 million in 2014. It was mainly due to higher profit tax being incurred in a Korea subsidiary.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for 2014 was HK$51.3 million, representing a decrease of HK$21.8 million compared with 2013 of HK$73.1 million. Net profit margin decreased by 0.5 percentage points from 1.5% in 2013 to 1.0% in 2014.

Basic earnings per share were decreased by HK5.2 cents, to HK12.3 cents for 2014 as compared with HK17.5 cents for 2013. The Directors proposed a final dividend of HK4.5 cents per share for 2014, which is estimated to amount to approximately HK$18.8 million.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds have been increased by HK$34.2 million or 4.4%, from HK$781.6 million in 2013 to HK$815.8 million in 2014.

Financial Position

The Group has total current assets of HK$2,330.0 million as at 31 December 2014 and HK$2,398.4 million as at 31 December 2013. The Group's total current liabilities amounted to HK$1,580.9 million as at 31 December 2014 and HK$1,710.6 million as at 31 December 2013. The Group's current ratio, defined as total current assets over total current liabilities, increased by 0.1 from 1.4 as at 31 December 2013 to 1.5 as at 31 December 2014.

The Group's cash and bank balances increased from HK$689.0 million as at 31 December 2013 to HK$709.1 million as at 31 December 2014. Based on the borrowings of HK$703.9 million as at 31 December 2014 and HK$823.2 million as at 31 December 2013, and total equity of HK$815.8 million as at 31 December 2014 and HK$781.6 million as at 31 December 2013, the Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) reduced from 17.2% as at 31 December 2013 to a negative value of 0.6% as at 31 December 2014. The decrease in net debts to equity ratio was mainly attributable to higher cash and bank balances and total equity with lower borrowings as at 31 December 2014.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2014, the Group was exposed to currency risk primarily through sales and purchases that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korean Won. The Group managed certain of its exchange rate risk by entering into non-deliverable foreign exchange forward contract.

Management Discussion and Analysis

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses non-deliverable foreign exchange forward contract as appropriate risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Working Capital

Inventories of the Group as at 31 December 2014 were HK$889.8 million, increased by HK$35.5 million or 4.2% as compared with HK$854.3 million as at 31 December 2013. It was mainly due to additional raw material planned for production close down during the Chinese New Year. Therefore, the inventory turnover days increased from 66 days as at 31 December 2013 to 72 days as at 31 December 2014.

Trade receivables as at 31 December 2014 were HK$698.1 million, decreased by HK$117.6 million or 14.4% as compared with HK$815.7 million as at 31 December 2013. Trade receivable turnover days decreased from 63 days as at 31 December 2013 to 56 days as at 31 December 2014.

Trade payables as at 31 December 2014 was HK$680.8 million, decreased by HK$12.6 million or 1.8% as compared with HK$693.4 million as at 31 December 2013. Trade payable turnover days increased from 53 days as at 31 December 2013 to 57 days as at 31 December 2014.

Charge on Assets

As at 31 December 2014, bank deposit of HK$0.4 million was pledged to banks to secure general banking facilities granted to the Group.

Capital Expenditure

The Group spent HK$10.6 million on capital expenditure in 2014. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments

As at 31 December 2014, total capital commitments amounted to HK$0.4 million.

Contingencies

(i) As at 31 December 2014, there is an open litigation between Archos SA ("Archos") and PC Partner Limited ("PCP"), a wholly-owned subsidiary of the Company in Hong Kong for an amount of approximately HK$36.4 million. As the litigation is at an early stage, the management has insufficient information to estimate financial impact and outcome of the litigation. Management is of the view that Archos' claim is without merit and PCP will contest vigorously. Accordingly, no provision has been made in the Company's consolidated financial statements.

Management Discussion and Analysis

(ii) On 21 November 2014, Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor, LLC ("Samsung") had filed a complaint in U.S. International Trade Commission ("USITC") against NVIDIA Corporation, and fourteen NVIDIA customers, including the Group's wholly-owned subsidiaries Zotac USA Inc. and Zotac International (Macao Commercial Offshore) Ltd. (collectively, "Respondents"), alleging that they engaged in unfair trade practices by making for importation into the United States, certain graphics processing chips and systems on a chip. Samsung's complaint with the USITC seeks an exclusion order that would bar from entry into the United States any graphics processing chips and systems on a chip that are imported by or on behalf of Respondents, and also seeks a cease and desist order to bar further sales of infringing products that have already been imported into the United States. Management is of the view that this matter has no significant impact to the Group's operation, and the Group would adjust its sales strategies accordingly to cope with any potential changes thereafter.

Significant Acquisitions and Disposals of Investments

Save for those disclosed in the consolidated statement of financial position, there was no other significant investments held and there was no acquisition of additional interests in subsidiaries or disposal of subsidiary.

Future plans for material investments or capital assets

The Group had no plan for material investments or acquisitions of capital assets as at 31 December 2014, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK$1.6 per offer share was HK$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK$46.0 million for expansion production capacity, HK$24.0 million for promotion and development of new products and brand name, HK$24.0 million for research and development, HK$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and HK$10.0 million for the Group's working capital and general corporate purposes. As at 31 December 2014, the Group has applied HK$17.7 million on expansion of production facilities, HK$22.5 million on promotion and development of new products and brand name, HK$17.4 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 4,071 employees (2013: 4,858 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance related bonuses may also be awarded to employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

Corporate Governance Report

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of the Company and its shareholders and devote considerable efforts to identifying and formalising best practice.

During the year ended 31 December 2014, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") except for the deviation from code provision A.2.1 of the Code as described below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2014, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. All directors, after specific enquiries made by the Company, confirmed that they have complied with the required standards set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Corporate Governance Report

During the year, 4 Board meetings were held and the attendance of each Director is set out below:

Directors	Number of Attendance
Executive Directors	
Mr. WONG Shik Ho Tony	4/4
Mr. WONG Fong Pak	4/4
Mr. LEUNG Wah Kan	4/4
Mr. HO Nai Nap	4/4
Mr. MAN Wai Hung	4/4
Non-Executive Director	
Mrs. HO WONG Mary Mee-Tak	4/4
Independent Non-executive Directors	
Mr. IP Shing Hing	4/4
Mr. LAI Kin Jerome	4/4
Mr. CHEUNG Ying Sheung	4/4

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and the Independent Non-executive Directors has entered into a letter of appointment for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a causal vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.

Corporate Governance Report

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code A.6.5 of the Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

During the year ended 31 December 2014, regulatory updates and relevant materials on amendment of Companies Ordinance especially a Guide on Directors' Duties were sent to the Directors for their awareness of the latest development on statutory requirements. The Company maintains continuous professional development records of the Directors.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

Audit Committee

The Company has established the Audit Committee on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group as well as to provide advice and comments to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

During the year, 4 Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. LAI Kin Jerome	4/4
Mr. IP Shing Hing	4/4
Mr. CHEUNG Ying Sheung	4/4

During the meetings held in 2014, the Audit Committee had performed the following major works:

(1) reviewed and approved the remuneration and terms of engagement letter of external auditor regarding the financial statements of the Group for the year ended 31 December 2013 (the "2013 Financial Statements");

(2) reviewed the 2013 Financial Statements and discussed with the external auditor's on any findings in relation to the 2013 Financial Statements and audit issues;

(3) reviewed and discussed the findings of internal control report prepared by Deloitte Touche Tohmatsu; and

(4) reviewed the interim results for the six months ended 30 June 2014 of the Group.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

Corporate Governance Report

Remuneration Committee

The Company has established the Remuneration Committee on 21 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies and structure. The Remuneration Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony.

During the year, 2 Remuneration Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. IP Shing Hing	2/2
Mr. LAI Kin Jerome	2/2
Mr. CHEUNG Ying Sheung	2/2
Mr. WONG Shik Ho Tony	2/2

The Remuneration Committee had reviewed and discussed the existing remuneration policy of the Company and the remuneration package of Executive Directors and senior management of the Group.

Nomination Committee

The Company established the Nomination Committee on 21 December 2011 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony.

During the year, 1 Nomination Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. IP Shing Hing	1/1
Mr. LAI Kin Jerome	1/1
Mr. CHEUNG Ying Sheung	1/1
Mr. WONG Shik Ho Tony	1/1

The Nomination Committee had reviewed the structure, size and the composition of the Board in consideration of re-election of retiring Directors in 2014 Annual General Meeting and reviewed the Board Diversity Policy of the Company during the year.

Corporate Governance Report

Board Diversity Policy

During the year under review, the Board reviewed a board diversity policy. All Board appointments will continue to be made on meritocracy and selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing and has performed in compliance with the corporate governance duties as set out in the Code which includes to develop and review the Group's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors and to review the Group's compliance with the Code and disclosure in this Corporate Governance Report.

NON-COMPETITION UNDERTAKING

The Independent Non-executive Directors have reviewed the confirmation given by Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited, the controlling shareholders of the Company, pursuant to which each of Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited has confirmed that, for the year ended 31 December 2014, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition deed dated 21 December 2011 as disclosed in the prospectus of the Company dated 29 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The remuneration paid and payable for the year ended 31 December 2014 to the Company's external auditor, BDO Limited, is set out as follows:

Service rendered to the Group	HK$
Audit services	1,150,000
Non-audit services (Note)	100,000

Note: Non-audit services on agreed-upon procedures on the interim results of the Group and preliminary results announcement.

Corporate Governance Report

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control system of the Group through Audit Committee.

COMPANY SECRETARY

Ms. LEUNG Sau Fong is the Company Secretary of the Company. Ms. LEUNG is a director of a corporate secretarial services provider in Hong Kong. The primary contact persons of the Company with Ms. LEUNG are Mr. WONG Shik Ho Tony, the Chairman and Chief Executive Officer of the Company and Mr. LAU Ka Lai Gary, the Chief Financial Officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. LEUNG has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting ("the EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2. The EGM shall be held within 2 months after the deposit of such requisition.

3. If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for raising enquires

1. Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section of headed "Corporate Information" of this annual report.

2. Shareholders may at any time raise any enquiry in respect of the Company to our investor relation team via email at the email address at ir@pcpartner.com.

3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Corporate Governance Report

Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, Shatin, New Territories for the attention of the Board or the Company Secretary of the Company.

2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:

   (i) At least 21 clear day's notice (notice period must include 20 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or

   (ii) At least 14 clear days' notice (the notice period must include 10 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.pcpartner.com as a channel to facilitate effective communication with the shareholders.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 55, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Executive Officer* on 24 January 2011 and was a co-founder of the Group in May 1997. He is also a member of each of the remuneration committee and the nomination committee of the Board. Mr. WONG is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's video graphics cards, motherboards, Mini PCs and other PC accessories businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. WONG was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea, South Wales, the United Kingdom in 1982.

Mr. WONG Fong Pak, aged 65, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Executive Vice President* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. WONG is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. WONG worked as purchasing manager at VTech Computers Limited.

Mr. LEUNG Wah Kan, aged 56, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Operation Officer* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. LEUNG is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. LEUNG was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong.

Mr. HO Nai Nap, aged 59, was appointed as an *Executive Director* on 24 January 2011 and is the founder of ASK Technology Limited ("ASK Technology") in 1989. Mr. HO is now the general manager and managing director of ASK Technology Group Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("ASK Group"). He is responsible for the general management, including product and sales of ASK Group. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. HO worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd.. Mr. HO was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, the United States of America.

Mr. MAN Wai Hung, aged 49, was appointed as an *Executive Director* on 24 January 2011 and is the co-founder of Manli Technology Co. Limited in 1996. Since 2008, Mr. MAN has been the managing director of Manli Technology Group Limited, a wholly-owned subsidiary of the Company and is in charge of functions of sales and marketing, and business development. He was conferred a Bachelor of Arts degree in 1988 by the University of Hong Kong.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mrs. HO WONG Mary Mee-Tak, aged 65, was appointed as a *Non-executive Director* on 24 January 2011. Mrs. HO was the wife of the late Mr. HO Hin Wun Bosco, a co-founder of the Group. Mrs. HO also sits on the boards as non-executive director of other companies within the Group. She completed a three-year program of study in interior design at Ryerson University in 1972.

Mr. CHIU Wing Yui, aged 50, was appointed as an *Alternate Director* to Mrs. HO WONG Mary Mee-Tak on 1 November 2012. Mr. CHIU has been a Non-executive Director of the Company from 24 January 2011 to 31 October 2012. Mr. CHIU is also an alternate director to Mrs. HO WONG Mary Mee-Tak for various companies within the Group. Mr. CHIU was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales, United Kingdom. After graduation, Mr. CHIU worked for B.S.C. Building Materials Supply Company Limited as a system support supervisor. Mr. CHIU was conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, aged 59, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the remuneration committee and the nomination committee of the Board and a member of the audit committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons.) Degree in 1978 by the University of Hong Kong and a Master of Arts degree in Arbitration and Alternative Dispute Resolution in 2005 by the City University of Hong Kong. He is a solicitor and notary public of Hong Kong, China-appointed Attesting Officer and Justice of the Peace. He has been a practicing solicitor in Hong Kong for more than 20 years. He is currently serving as an independent non-executive director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002-2004), Chairman of the Association of China-Appointed Attesting Officers Limited from 2012 to 2014, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), director of Ocean Park Corporation (March 2006 to February 2012), member of Hong Kong Housing Authority (April 2007 to June 2012) and chairman of Appeal Board (Amusement Game Centres) since 30 May 2010.

Mr. LAI Kin Jerome, aged 66, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and the nomination committee of the Board. Mr. LAI graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. LAI has over 30 years of experience in accounting and management. Mr. LAI was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and an executive director of the finance and management services division of the Stock Exchange between 1997 and 2000. Mr. LAI is currently an Independent Non-executive Director of Mastercraft International Holdings Limited, a company listed on the Stock Exchange.

Directors and Senior Management

Mr. CHEUNG Ying Sheung, aged 61, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. CHEUNG graduated from Imperial College of Science and Technology, University of London with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in 1978. He joined the University of Hong Kong (the "University") in 1980 and is currently Associate Vice-President (Research) and Director of Technology Transfer of the University, as well as professor of Electrical and Electronic Engineering. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000. He was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission. He is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers.

SENIOR MANAGEMENT

Mr. LEE Wing Chung, aged 49, is *Executive Director of Manli Technology Group Limited*, responsible for the operational management of the Manli Technology Group Limited. Mr. LEE co-founded Manli Technology Co. Limited in 1996 and joined the Group in April 2008. He holds a Bachelor of Science from Hong Kong Baptist Colleage and has over 15 years' general management experience.

Mr. KWONG Kwok Kuen, aged 54, is *Director of Sales — EMEAI Region*, responsible for the Group's sales and marketing of ZOTAC motherboards, video graphics cards and miniPC products in the European, Middle East, Africa and India regions. Mr. KWONG has extensive experience in electronics industry. Prior to joining the Group in January 2005, he served as executive director of Silver Star Technology Limited and as general manager of the Hong Kong office of Norsk Data International Limited. Mr. KWONG graduated with a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University.

Mr. CHOW Hon Fat, aged 47, is *Director of Program Management — Graphics*, responsible for account servicing and program management of the Group's video graphics cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. CHOW was a production and material control manager of VTech Computers Limited.

Mr. WONG Man Fai, aged 53, is *Director of Product*, responsible for product marketing of the ZOTAC video graphics cards of the Group. Mr. WONG has over 20 years' experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Bachelor of Business (Management) degree from RMIT University, Australia and a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University. He joined the Group in July 2006.

Mr. LIU Ngai Choi, aged 43, is *Director of Sales — APAC Region*, responsible for the Group's sales and marketing of motherboards, video graphics cards and miniPC products in the Asia Pacific region. Mr. Liu has over 15 years of relevant electronics sales experience, prior to joining the Group in October 2005, he has worked with Ocean Office Automation and Accuracy Information Technology.

Mr. YANG Ho Ching, aged 50, is *General Manager*, responsible for the Group's video graphics cards, motherboard and miniPC manufacturing operations in Dongguan. He joined the Group in November 2013. Mr. Yang has more than 25 years' experience in electronic engineering and computer manufacturing in Taiwan and China. Prior to joining the Group, he has held various quality and manufacturing management positions at Taiwan Micro-Star International, Brainpower Technology and GVC Corporation etc.

Directors and Senior Management

Mr. LAM Kwok Ling, aged 58, is *General Manager*, responsible for the Group's EMS manufacturing operations in China. He joined the Group in December 2011. Mr. LAM has more than 20 years' experience in the electronics and EMS industry. Prior to joining the Group, he has worked for Sanmina-SCI (China) Ltd., Philips Electronics Hong Kong Ltd., Wong's Electronics Co., Ltd., Maxtor (HK) Ltd., MiniScribe (HK) Ltd., Herald Datanetics Ltd., Mattel Electronics (HK) Ltd., Atlas Electronics Co., Ltd., Chen Hsong Machinery Co., Ltd., etc. in various senior operation, QA and engineering management positions. Mr. LAM holds a Higher Diploma in Production & Industrial Engineering from the Hong Kong Polytechnic and a Bachelor of Science degree from the Open University of Hong Kong.

Mr. HUANG Chia Pao, aged 49, is *Director of Product*, responsible for the product development of motherboard and miniPC businesses of the Group. Mr. HUANG joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit Computer Corp., DFI San Jose and OCZ Technology Group, Inc. in Taiwan and the USA. Mr. HUANG holds a Bachelor of Business Administration degree from the National Chung Hsing University in Taiwan.

Mr. LAU Ka Lai Gary, aged 45, is *Chief Financial Officer*, responsible for overall financial, accounting legal and MIS functions of the Group. He is also the President of Zotac USA Inc., a wholly owned subsidiary of the Group in the USA. Mr. LAU joined the Group in October 2010. Prior to joining the Group, he has worked for Rolex (Hong Kong) Limited, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu. Mr. Lau is a member of American Institute of Certified Public Accountants. Mr. LAU graduated from the University of Western Ontario, Canada, with a Bachelor of Science degree and the University of Windsor, Canada, with a Bachelor of Commerce degree. He also holds a Master of Business Administration and a Master in Business Systems from the University of Machester and the Monash University respectively.

Mr. LAM Kam Tong, aged 51, is *Human Resources and Administration Director*, responsible for the Group's human resources and general administration functions. He joined the Group in August 2014. Mr. Lam has over 25 years in human resources and administration areas and has worked for Tristate Holdings Ltd., Sunmotor Group, Nanyang Brothers Tobacco Co., Ltd., Kong Wah Electronics Enterprises Ltd. and Wong's Kong King Industries Ltd.. Mr. Lam holds a Master of Science, Human Resources Management of National University of Ireland, Dublin and a Honours and Higher Diploma in Personnel Management from Lingnan College.

Ms. LEE Siu Wai, aged 51, is *Director of Procurement*, of the Group. Ms. Lee is responsible for the Group's overall procurement and purchasing activities. She has over 25 years of extensive experience in purchasing. Prior to joining the Group in July 1997, Ms. Lee was the Purchasing Section Manager of AST Research (F.E.) Ltd..

Mr. CHOW Pak Keung, aged 48, is *Director of Program Management — EMS*. Mr. Chow is responsible for account servicing and program management of the Group of EMS business. Prior to joining the Group in July 1997, Mr. Chow was a Senior Mechanical Engineer of VTech Computers Limited. Mr. Chow holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic and a Diploma in Mechanical Engineering from Vocational Training Council.

Ms. Chuang Hsiao Chi, aged of 36, is *Global Marketing Director*, responsible for the marketing operation for ZOTAC business. She joined the Group in May 2014. Ms. Chuang has more than 13 years' experience in corporate marketing and communication across diverse industries. Prior to joining the Group, Ms. Chuang has worked for Acer Inc., Shuttle Computer, EVGA, Zalman, and Newegg Inc. Ms. Chuang holds a Master of Integrated Marketing Communication from Florida State University, and Bachelor of Journalism Communication from Fu Jen Catholic University in Taiwan.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, development and manufacturing of video graphics cards for desktop PCs, electronics manufacturing service, and manufacturing and trading in other PC related products and components.

An analysis of the Group's turnover and segment information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 35 of this report.

The Board recommends the payment of a final dividend of HK$0.045 per share to shareholders whose names appear on the register of members of the Company at the close of business on 3 July 2015.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in page 87 and note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2014 amounted to approximately HK$631.9 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted HK$14,200.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 17 to the consolidated financial statements.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in note 39 to the consolidated financial statements.

Report of the Directors

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 December 2014.

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**4,895,192**	4,803,097	5,175,674	5,969,166	5,585,382
Profit before income tax	**64,955**	85,955	63,557	81,902	133,106
Income tax expense	**(13,606)**	(12,810)	(11,303)	(9,223)	(15,738)
Profit for the year	**51,349**	73,145	52,254	72,679	117,368
Attributable to:					
Owners of the Company	**51,349**	73,145	52,254	70,213	110,295
Non-controlling interests	**—**	—	—	2,466	7,073
	51,349	73,145	52,254	72,679	117,368
ASSETS AND LIABILITIES					
Total assets	**2,400,613**	2,492,343	2,275,576	2,548,498	2,706,782
Total liabilities	**(1,584,790)**	(1,710,700)	(1,547,570)	(1,971,417)	(2,136,402)
Total equity	**815,823**	781,643	728,006	577,081	570,380

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

On 14 December 2011, the shareholders of the Company approved and adopted a pre-IPO share option scheme. Particulars of the pre-IPO share option scheme of the Company are set out in note 32 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors during the year and as at the date of this report are:

Executive Directors:

Mr. WONG Shik Ho Tony
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. HO Nai Nap
Mr. MAN Wai Hung

Non-executive Director:

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternative Director to Mrs. HO WONG Mary Mee-Tak)

Independent Non-executive Directors:

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

In accordance with Article 108 of the Articles of Association, Mr. WONG Shik Ho Tony, Mrs. HO WONG Mary Mee-Tak and Mr. IP Shing Hing will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the three Independent Non-executive Directors, Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung that they have met all the factors concerning their independence as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that there are no other factors which may affect their independence. The Company's board of directors (the "Board") considers these Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 34 to the consolidated financial statements, no contracts of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting. Under the agreements, the Executive Directors will receive a fixed monthly salary. The Executive Directors will also receive a year end bonus and a discretionary performance bonus and discretionary profit-sharing bonus under the agreements.

Report of the Directors

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting.

Apart from the above, none of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, were as follows:

Long Positions in Shares

Name of Director	Type of interest	Number of Shares held	Percentage of shareholding
Mrs. HO WONG Mary Mee-Tak	Beneficial owner	400,000	0.09%
	Interest in controlled corporations (Note)	132,350,000	31.70%
Mr. WONG Shik Ho Tony	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Beneficial owner	26,915,750	6.45%
Mr. LEUNG Wah Kan	Beneficial owner	21,250,500	5.09%
Mr. HO Nai Nap	Beneficial owner	19,984,538	4.79%
Mr. MAN Wai Hung	Beneficial owner	3,677,065	0.88%

Note: These 132,350,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 77,500,000 Shares by Perfect Choice Limited. As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in these 132,350,000 Shares under the SFO.

Report of the Directors

Long Positions in Share Options of the Company

Name of Director	Date of grant	Number of underlying Shares	Percentage of shareholding
Mr. WONG Shik Ho Tony	14 December 2011	4,290,000	1.03%
Mr. WONG Fong Pak	14 December 2011	3,300,000	0.79%
Mr. LEUNG Wah Kan	14 December 2011	3,300,000	0.79%
Mr. HO Nai Nap	14 December 2011	1,200,000	0.29%
Mr. MAN Wai Hung	14 December 2011	1,200,000	0.29%

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following parties with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in the Company

Name	Long/Short position	Type of interest	Number of Shares held	Percentage of shareholding
Perfect Choice Limited	Long position	Beneficial owner	77,500,000	18.56% (Note 1)
Classic Venture International Inc.	Long position	Beneficial owner	54,850,000	13.14% (Note 1)
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Long position	Beneficial owner	26,915,750	6.45%
S.A.S. Investment Company Limited ("SAS Investment")	Long position	Beneficial owner	25,292,000	6.05% (Note 2)
S.A.S. Dragon Holdings Limited ("SAS Holdings")	Long position	Through controlled corporation	25,292,000	6.05% (Note 2)
Mr. Daniel KEARNEY	Long position	Beneficial owner	21,949,000	5.25%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	21,250,500	5.09%

Note 1: As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture International Inc. and Perfect Choice Limited under the SFO.

Note 2: SAS Investment is wholly-owned by SAS Holdings which is a company listed on the Stock Exchange. Hence, SAS Holdings is also deemed to be interested in 25,292,000 Shares held by SAS Investment under the SFO.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2014	2013
	%	%
Sales		
— the largest customer	**12%**	11%
— five largest customers combined	**28%**	32%
Purchases		
— the largest supplier	**40%**	38%
— five largest suppliers combined	**53%**	50%

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

CONNECTED TRANSACTIONS

During the year, there is no connected transaction of the Group that required for the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 16 to 22 of this report.

AUDITOR

The financial statements for the year ended 31 December 2014 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD
WONG Shik Ho Tony
Chairman

Hong Kong
23 March 2015

Independent Auditor's Report

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TO THE SHAREHOLDERS OF PC PARTNER GROUP LIMITED
(栢能集團有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 35 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Independent Auditor's Report

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

OPINION

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 23 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	6,7	**4,895,192**	4,803,097
Cost of sales		**(4,416,163)**	(4,324,676)
Gross profit		**479,029**	478,421
Other revenue and other gains and losses	8	**(8,058)**	10,185
Selling and distribution expenses		**(94,382)**	(95,536)
Administrative expenses		**(300,794)**	(296,324)
Finance costs	9	**(10,840)**	(10,791)
Profit before income tax	10	**64,955**	85,955
Income tax expense	11	**(13,606)**	(12,810)
Profit for the year		**51,349**	73,145
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(587)**	106
Total comprehensive income for the year		**50,762**	73,251
		HK$	HK$
Earnings per share	16		
— Basic		**0.12**	0.18
— Diluted		**0.12**	0.18

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**41,160**	63,845
Intangible assets	18	**6,704**	7,272
Other financial assets	20	**20,992**	20,992
Deferred tax assets	23	**1,727**	1,790
Total non-current assets		**70,583**	93,899
Current assets			
Inventories	24	**889,798**	854,314
Trade and other receivables	21	**729,305**	854,043
Current tax recoverable		**1,420**	805
Pledged time deposits		**427**	310
Cash and cash equivalents	25	**709,080**	688,972
Total current assets		**2,330,030**	2,398,444
Total assets		**2,400,613**	2,492,343
Current liabilities			
Trade and other payables	26	**845,434**	869,597
Borrowings	27	**703,869**	823,111
Provisions	28	**4,823**	7,032
Obligations under finance leases		**15**	15
Derivative financial liabilities	22	**10,327**	2,391
Current tax liabilities		**16,479**	8,447
Total current liabilities		**1,580,947**	1,710,593
Net current assets		**749,083**	687,851
Total assets less current liabilities		**819,666**	781,750

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current liabilities			
Obligations under finance leases		**12**	27
Derivative financial liabilities	22	**3,830**	—
Deferred tax liabilities	23	**1**	80
Total non-current liabilities		**3,843**	107
NET ASSETS		**815,823**	781,643
Capital and reserves			
Share capital	29	**41,752**	41,752
Reserves		**774,071**	739,891
TOTAL EQUITY		**815,823**	781,643

On behalf of the Board

Director

Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment in a subsidiary	19	**528,830**	528,830
Current assets			
Prepayments and other receivables		**498**	457
Amounts due from subsidiaries	19	**90,809**	69,299
Cash and cash equivalents		**60,786**	87,411
Total current assets		**152,093**	157,167
Current liabilities			
Accruals		**5,212**	8,687
Amount due to a subsidiary	19	**2,024**	2,024
Total current liabilities		**7,236**	10,711
Net current assets		**144,857**	146,456
NET ASSETS		**673,687**	675,286
Capital and reserves			
Share capital	29	**41,752**	41,752
Reserves	30	**631,935**	633,534
TOTAL EQUITY		**673,687**	675,286

On behalf of the Board

Director　　　　Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital	Share premium (Note (a))	Translation reserve	Merger reserve (Note (b))	Other reserve (Note (c))	Legal reserve (Note (d))	Share-based payment reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	41,752	119,331	482	6,702	21,771	1,128	12,478	524,362	728,006
Profit for the year	—	—	—	—	—	—	—	73,145	73,145
Other comprehensive income									
— exchange difference on translating foreign operations	—	—	106	—	—	—	—	—	106
Total comprehensive income	—	—	106	—	—	—	—	73,145	73,251
Dividends paid (Note 15)	—	—	—	—	—	—	—	(22,964)	(22,964)
Equity settled share-based transactions (Note 32)	—	—	—	—	—	—	3,350	—	3,350
Transfer to legal reserve	—	—	—	—	—	836	—	(836)	—
At 31 December 2013 and 1 January 2014	41,752	119,331	588	6,702	21,771	1,964	15,828	573,707	781,643
Profit for the year	—	—	—	—	—	—	—	51,349	51,349
Other comprehensive income									
— exchange difference on translating foreign operations	—	—	(587)	—	—	—	—	—	(587)
Total comprehensive income	—	—	(587)	—	—	—	—	51,349	50,762
Dividends paid (Note 15)	—	—	—	—	—	—	—	(16,701)	(16,701)
Equity settled share-based transactions (Note 32)	—	—	—	—	—	—	(367)	486	119
Transfer to legal reserve	—	—	—	—	—	925	—	(925)	—
At 31 December 2014	41,752	119,331	1	6,702	21,771	2,889	15,461	607,916	815,823

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Notes:

(a) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share in 2012. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Merger reserve represents the difference between the share capital of the Company and the combined share capital and share premium of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation underwent in December 2011.

(c) Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the Reorganisation over their nominal values.

(d) Legal reserve included (i) reserve made by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserve made by the Group's subsidiaries established in the People's Republic of China (the PRC) pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve fund must be maintained at a minimum of 25% of share capital after usage.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Profit before income tax		**64,955**	85,955
Adjustments for:			
Depreciation		**32,351**	35,927
Amortisation of intangible assets		**287**	718
Impairment on intangible assets		**281**	—
Interest income		**(2,788)**	(2,860)
Net fair value losses/(gains) on derivative financial instruments		**13,029**	(1,450)
Interest expense		**10,840**	10,791
Gain on disposal of property, plant and equipment		**(9,697)**	(458)
Property, plant and equipment written off		**1**	459
(Reversal of provision)/provision for impairment losses in trade receivables		**(1,941)**	2,023
Share-based payment expenses		**119**	3,350
(Reversal of provision)/provision for obsolete inventories		**(8,477)**	13,981
Operating profit before working capital changes		**98,960**	148,436
Inventories		**(26,992)**	(170,386)
Trade and other receivables		**126,668**	(4,076)
Trade and other payables		**(24,163)**	156,002
Import loans		**(108,126)**	19,907
Provision for product warranties and returns		**(2,209)**	797
Cash generated from operations		**64,138**	150,680
Interest paid		**(10,840)**	(10,791)
Income tax paid		**(6,129)**	(10,948)
Net cash generated from operating activities		**47,169**	128,941
Investing activities			
Increase in pledged time deposits		**(116)**	—
Payments to acquire property, plant and equipment		**(10,590)**	(9,867)
Proceeds from disposal of property, plant and equipment		**10,604**	458
Interest received		**2,788**	2,860
Net cash (paid)/received on settlement of derivative financial instruments		**(1,263)**	5,145
Net cash generated from/(used in) investing activities		**1,423**	(1,404)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Financing activities			
Dividend paid to owners of the Company		**(16,701)**	(22,964)
Repayment of bank loans		**(16,915)**	(24,246)
Proceeds from discounted bills and factoring loans		**89,961**	53,970
Repayment of discounted bills and factoring loans		**(84,162)**	(48,059)
Repayment of obligations under finance leases		**(15)**	(16)
Net cash used in financing activities		**(27,832)**	(41,315)
Net increase in cash and cash equivalents		**20,760**	86,222
Cash and cash equivalents at beginning of year		**688,972**	602,591
Effect of exchange rate changes on cash and cash equivalents		**(652)**	159
Cash and cash equivalents at end of year	25	**709,080**	688,972

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries (referred to as the "Group") are engaged in business of design and manufacturing of electronics and personal computer parts and accessories with its operation base in the mainland China and trading of electronics and personal computer parts and accessories with its operation base in Hong Kong, Macau, Korea and the United States of America.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 January 2014

The Group has adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity currently has a legally enforceable right to set off and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of these amendments has no impact on the Group's financial statements as the Group does not have any offsetting arrangements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) - Financial Instruments

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 15 - Revenue from Contracts with Customers

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

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

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

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

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiary

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

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

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

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

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

Leasehold land and buildings	50 years
Leasehold improvements	Over the remaining lease terms
Plant and machinery	2 to 5 years
Office and testing equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	3 years
Moulds	2 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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

(d) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Non-contractual customer lists and relationship	5 years

The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(l)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Impairment (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligation under finance leases, provisions and borrowings by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which the entity operates (the functional currency) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Pension obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund (MPF) service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

For employees in the People's Republic of China (the PRC), the Group contributes to state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of other assets

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

- property, plant and equipment;
- intangible assets with finite useful lives; and
- investment in a subsidiary

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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.

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, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, 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 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.

The key sources of estimation uncertainty are discussed below.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of available-for-sale investments

The Group determines at each reporting date whether there is any objective evidence that the available-for-sale investments are impaired. In performing its review, the Group considers the profitability and financial position of the investments and economic outlooks relating to those investments. If such indication exists, the amount of the impairment loss is measured as the difference between the carrying amount of available-for-sale investments and the present value of estimated future cash flows, discounted at the current market rate of return for a similar investment. If the economic outlooks of the investments were to deteriorate, resulting in an impairment of the investments, the carrying value of those investments may be required to be impaired as of 31 December 2014. On the above basis, the directors of the Company are of the view that no impairment of investments is required.

Provision for obsolete inventories

Management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

Impairment of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Warranty and returns provisions

As explained in note 28, the Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacture and sale of electronics and personal computer parts and accessories.

(b) Geographical information

(i) Turnover

An analysis by the Group's turnover by geographical location is as follows:

	2014 **HK$'000**	2013 HK$'000
Asia Pacific ("APAC")	**2,246,238**	2,138,330
North and Latin America ("NALA")	**747,366**	691,025
PRC	**1,081,486**	1,005,013
Europe, Middle East, Africa and India ("EMEAI")	**820,102**	968,729
	4,895,192	4,803,097

(ii) Specified non-current assets

An analysis of the Group's non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets") is as follows:

	2014 **HK$'000**	2013 HK$'000
APAC	**9,043**	10,783
NALA	**90**	219
PRC	**38,685**	60,100
EMEAI	**46**	15
	47,864	71,117

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

6. SEGMENT REPORTING (CONTINUED)

(c) Revenue from major products and services

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

	2014 **HK$'000**	2013 HK$'000
Video graphics cards	**3,386,632**	3,347,666
Electronics manufacturing services	**964,827**	1,024,644
Other PC related products and components	**543,733**	430,787
	4,895,192	4,803,097

(d) Information about the major customer

Revenue from the customer of the corresponding periods contributing 10% or more of the Group's revenue is as follows:

	2014 **HK$'000**	2013 HK$'000
Customer A (Note)	**587,728**	518,731

Note:

Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region.

7. TURNOVER

Turnover represents the net invoiced value of goods sold and service income earned by the Group.

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

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Interest income	2,788	2,860
Net exchange (losses)/gains	(14,906)	1,288
Net fair value (losses)/gains on derivative financial instruments	(13,029)	1,450
Gain on disposal of property, plant and equipment	9,697	458
Impairment on intangible assets	(281)	—
Sundry income	7,673	4,129
	(8,058)	10,185

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	10,840	10,791

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

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2014 HK$'000	2013 HK$'000
Inventories recognised as expense	**4,413,731**	4,297,323
Provision for obsolete inventories	**2,432**	27,353
Cost of sales	**4,416,163**	4,324,676
Staff costs (Note 12)	**362,560**	361,173
Auditor's remuneration	**1,719**	1,614
Depreciation of property, plant and equipment	**32,351**	35,927
Amortisation of intangible assets	**287**	718
Impairment on intangible assets	**281**	—
(Reversal of provision)/provision for impairment losses on trade and other receivables	**(1,941)**	2,023
Operating lease payments on plant and machinery	**239**	240
Operating lease payments on premises	**35,133**	30,362
Property, plant and equipment written off	**1**	459
(Reversal of provision)/additional provision for product warranties and returns, net (Note 28)	**(1,652)**	1,517
Research and development expenditure (Note)	**38,776**	30,214

Note:

The research and development expenditure for the year includes HK$38,776,000 (2013: HK$30,214,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. INCOME TAX EXPENSE

(a) The amounts of income tax expense in the consolidated statement of comprehensive income represent:

	2014 HK$'000	2013 HK$'000
Current tax — Hong Kong		
— provision for the year	9,179	10,038
— (over)/under provision in respect of prior year	(72)	48
Current tax — PRC		
— provision for the year	1,974	2,038
— under provision in respect of prior year	698	5
Current tax — others		
— provision for the year	1,808	611
— under provision in respect of prior year	35	18
	13,622	12,758
Deferred tax		
— origination and reversal of temporary differences (Note 23)	(16)	52
Income tax expense	13,606	12,810

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Group's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year ended 31 December 2014. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the High Technology Enterprise status during 2012 and the applicable PRC enterprise income tax rate is 15% (2013: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2013: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2014.

Other overseas tax is calculated at the rates applicable in the respective jurisdictions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. INCOME TAX EXPENSE (CONTINUED)

(b) The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**64,955**	85,955
Tax on profit before income tax, calculated at Hong Kong profits tax rate	**10,718**	14,183
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,255)**	(54)
Effect of tax exemption granted to a subsidiary	**677**	2,028
Tax effect of non-taxable net income relating to offshore operation	**(7,595)**	(8,594)
Tax effect of expenses not deductible for tax purposes	**25,742**	8,154
Tax effect of revenue not taxable for tax purposes	**(12,797)**	(5,746)
Tax effect of tax losses and deductible temporary differences not recognised	**235**	2,010
Under provision in prior year	**661**	71
Tax rebate	**(60)**	(50)
Others	**280**	808
Income tax expense	**13,606**	12,810

(c) As at the date of this annual report, the Group has disputes with the Hong Kong Inland Revenue Department ("IRD") involving additional assessments as below:

(i) Additional tax assessment amounting to approximately HK$1,286,000 on the deduction claim of subcontracting charges for the year of assessment 2006/07

On 27 March 2013, the Commissioner of the IRD issued a protective assessment for the year of assessment 2006/07 to the Company's subsidiary, PC Partner Limited ("PCP"), demanding additional tax totalling HK$1,286,000 regarding deduction claim of subcontracting charges. Based upon professional advice then obtained, the directors believed that PCP had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, PCP lodged an objection to the IRD on 25 April 2013 applying for an unconditional holdover of tax for the year of assessment 2006/07. Meanwhile, PCP purchased tax reserve certificate for the year of assessment 2006/07 as directed by the Commissioner of the IRD pending the decision of the objection review. On 6 December 2013, PCP submitted a further objection letter to the IRD explaining the grounds in detail. On 4 March 2014, the IRD issued a letter requesting for additional information. On 30 June 2014, PCP submitted the reply to the IRD.

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

11. INCOME TAX EXPENSE (CONTINUED)

(c) As at the date of this annual report, the Group has disputes with the Hong Kong Inland Revenue Department ("IRD") involving additional assessments as below: (continued)

(ii) Additional tax assessment amounting to approximately HK$10,150,000 on assessable profits claimed under Contract Processing Arrangement ("CPA") with 50:50 apportionment and deduction claim of prescribed fixed assets for the year of assessment 2007/08

The IRD issued a letter on 4 March 2014 to PCP requesting documentary evidence to support the payment of subcontracting charges as mentioned in (i) above and also issued a protective assessment for the year of assessment 2007/08 to PCP, demanding additional tax totalling HK$10,150,000 regarding assessable profits claimed under CPA with 50:50 apportionment and deduction claim of prescribed fixed assets. Based on the assessment of the Group's professional adviser, the directors agreed that the 50:50 apportionment should be applied from 7 September 2007 to 31 December 2007 instead of full year. The directors also agreed that the capital expenditure claimed may not qualify for prescribed fixed assets deduction, yet it should be entitled to claim depreciation allowances. By accounting for the depreciation allowances, there would be adjusted loss instead of assessable profit.

On 4 April 2014, PCP lodged an objection to the IRD applying for an unconditional holdover of tax for the year of assessment 2007/08 and also purchased tax reserve certificate for the year of assessment 2007/08 as directed by the Commissioner of the IRD pending the decision of the objection review. On 30 June 2014, PCP submitted a further objection letter to the IRD explaining the grounds in detail.

Up to the date of this annual report, the objections for the additional tax assessments for the years of assessment 2006/07 and 2007/08 are yet to be settled. Based on the assessment of the Group's professional advisers on the merits of PCP's objections, the directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle the present legal obligation. As such, no provision has been made in the accounts in this regard.

12. STAFF COSTS

	2014 HK$'000	2013 HK$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	**327,543**	327,596
Pension contribution	**2,949**	2,491
Social insurance	**19,400**	17,515
Share-based payment (equity-settled)	**119**	3,350
Provision for long services payment, provision for annual leave and others	**12,549**	10,221
	362,560	361,173

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

Year ended 31 December 2014

Name of directors	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Sub-total	Share-based payment (Note (i))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. Wong Shik Ho, Tony	–	5,135	17	585	5,737	17	5,754
Mr. Wong Fong Pak	–	4,764	9	8	4,781	14	4,795
Mr. Leung Wah Kan	–	4,870	17	25	4,912	14	4,926
Mr. Man Wai Hung	–	1,929	17	40	1,986	5	1,991
Mr. Ho Nai Nap	–	1,972	17	–	1,989	5	1,994
Non-executive directors							
Mrs. Ho Wong Mary Mee-Tak	60	–	–	–	60	–	60
Mr. Chiu Wing Yui (Note iii)	60	–	–	–	60	–	60
Mr. Ip Shing Hing	240	–	–	–	240	–	240
Mr. Lai Kin Jerome	240	–	–	–	240	–	240
Mr. Cheung Ying Sheung	240	–	–	–	240	–	240
	840	18,670	77	658	20,245	55	20,300

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

Year ended 31 December 2013

Name of directors	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Sub-total	Share-based payment (Note (i))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. Wong Shik Ho, Tony	—	6,271	15	595	6,881	487	7,368
Mr. Wong Fong Pak	—	5,393	15	40	5,448	374	5,822
Mr. Leung Wah Kan	—	5,500	15	24	5,539	374	5,913
Mr. Man Wai Hung	—	1,924	15	—	1,939	136	2,075
Mr. Ho Nai Nap	—	2,422	15	—	2,437	136	2,573
Non-executive directors							
Mrs. Ho Wong Mary Mee-Tak	60	—	—	—	60	—	60
Mr. Chiu Wing Yui (Note iii)	60	—	—	—	60	—	60
Mr. Ip Shing Hing	240	—	—	—	240	—	240
Mr. Lai Kin Jerome	240	—	—	—	240	—	240
Mr. Cheung Ying Sheung	240	—	—	—	240	—	240
	840	21,510	75	659	23,084	1,507	24,591

Notes:

(i) This represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(m).

The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 32.

(ii) The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

(iii) Resigned as non-executive director and appointed as alternative director to Mrs. Ho Wong Mary Mee-Tak both on 1 November 2012.

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2013: all) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above and the remaining highest paid individual was senior management personnel whose emolument is included in the band of HK$2,500,001 to HK$3,000,000 in the disclosure in note 13(c) below.

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: HK$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2013: None).

(c) Senior management's emoluments

The emoluments paid or payable to members of senior management were within the following bands:

	2014 No. of Individuals	2013 No. of Individuals
HK$Nil to HK$1,000,000	**9**	8
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–

14. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2014 includes a loss of approximately HK$2,972,000 (2013: a profit of approximately HK$9,284,000), which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2014 HK$'000	2013 HK$'000
Amount of consolidated (loss)/profit for the year dealt with in the Company's financial statements	**(2,972)**	9,284
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**17,955**	15,993
Company's profit for the year (Note 30)	**14,983**	25,277

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. DIVIDENDS

	2014	2013
	HK$'000	HK$'000
2013 Final dividend paid — HK$0.04 (2013: 2012 Final dividend — HK$0.03) per share	**16,701**	12,526
2014 Interim dividend declared and paid — HK$Nil (2013: 2013 Interim dividend — HK$0.025) per share	**—**	10,438
Dividends paid for the year	**16,701**	22,964

The directors of the Company proposed a final dividend of HK$0.045 (2013: HK$0.04) per share, totalling HK$18,788,000 (2013: HK$16,701,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2014 and 2013 is based on the profit for the year and assuming the shares were in issue during the current and prior years, calculated as follows:

Earnings	**2014**	2013
	HK$'000	HK$'000
Earnings for the purpose of basic and diluted earnings per share	**51,349**	73,145

Number of shares	**2014**	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**417,518,668**	417,518,668
Effect of dilutive potential ordinary shares:		
— share options	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**417,518,668**	417,518,668

The computation of diluted earnings per share for the year ended 31 December 2014 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Office and testing equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost:								
At 1 January 2013	1,196	50,009	361,938	56,696	1,263	2,880	783	474,765
Additions	—	893	3,333	5,511	130	—	—	9,867
Reclassification	—	15	—	(15)	—	—	—	—
Disposals/written off	—	—	(23,019)	(2,059)	—	—	—	(25,078)
Exchange adjustments	—	4	—	10	1	1	—	16
At 31 December 2013 and 1 January 2014	1,196	50,921	342,252	60,143	1,394	2,881	783	459,570
Additions	—	884	1,713	6,789	47	1,157	—	10,590
Disposals/written off	(1,196)	—	(133)	(309)	—	(838)	—	(2,476)
Exchange adjustments	—	(8)	—	(41)	(2)	(4)	—	(55)
At 31 December 2014	—	51,797	343,832	66,582	1,439	3,196	783	467,629
Accumulated depreciation:								
At 1 January 2013	243	35,852	293,168	50,614	961	2,783	783	384,404
Depreciation	24	3,487	25,878	6,370	87	81	—	35,927
Written back on disposal/written off	—	—	(22,560)	(2,059)	—	—	—	(24,619)
Exchange adjustments	—	3	—	8	1	1	—	13
At 31 December 2013 and 1 January 2014	267	39,342	296,486	54,933	1,049	2,865	783	395,725
Depreciation	22	3,555	22,093	6,214	137	330	—	32,351
Written back on disposal/written off	(289)	—	(133)	(308)	—	(838)	—	(1,568)
Exchange adjustments	—	(7)	—	(27)	(2)	(3)	—	(39)
At 31 December 2014	—	42,890	318,446	60,812	1,184	2,354	783	426,469
Net book value:								
At 31 December 2014	—	8,907	25,386	5,770	255	842	—	41,160
At 31 December 2013	929	11,579	45,766	5,210	345	16	—	63,845

The Group's leasehold land is held in Hong Kong on medium-term lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. INTANGIBLE ASSETS

	Brand name HK$'000	Non-contractual customer lists and relationship HK$'000	Total HK$'000
Cost:			
At 1 January 2013, 31 December 2013 and 31 December 2014	6,196	10,074	16,270
Accumulated amortisation:			
At 1 January 2013	—	8,280	8,280
Amortisation	—	718	718
At 31 December 2013 and 1 January 2014	—	8,998	8,998
Amortisation	—	287	287
Impairment	281	—	281
At 31 December 2014	281	9,285	9,566
Carrying amount:			
At 31 December 2014	5,915	789	6,704
At 31 December 2013	6,196	1,076	7,272

The brand name acquired through acquisition of businesses is considered by management of the Group as having indefinite useful life as there was no limit to the period the brand name would contribute to net cash inflows.

Non-contractual customer lists and relationship acquired through acquisition of businesses is amortised over their useful lives of 5 years. The amortisation expense has been included in administrative expenses in the consolidated statement of comprehensive income.

For impairment testing, brand name is allocated to the cash generating units (CGUs) that contribute the cash flows. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and profit margin during the year. Management estimates discount rate of 17.9% (2013: 17.8%) that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the coming year and extrapolates cash flows for the following two years with a growth rate of 5% and subsequent four years with a steady growth rate of 2%. Profit margin is based on historical data of the CGUs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. INVESTMENT IN A SUBSIDIARY

The Company

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**528,830**	528,830

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

20. OTHER FINANCIAL ASSETS

	2014 HK$'000	2013 HK$'000
Available-for-sale investments — Non-current		
Investments in unlisted securities (Note)	**20,992**	20,992

Note:

The available-for-sale investments represent 4.95% of equity interest in each of Federal Bonus Limited and Sapphire Global Holdings Limited as at 31 December 2014 (2013: 4.95%) respectively. Both of which are private companies incorporated in the British Virgin Islands ("BVI"). As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses. The directors have no intention to dispose of the investments in the next twelve months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**705,269**	825,562
Less: Accumulated impairment losses	**(7,130)**	(9,912)
	698,139	815,650
Other receivables	**15,437**	7,116
Deposits and prepayments	**15,729**	31,277
	729,305	854,043

During the year, the Group discounted part of its trade receivables to financial institutions with full recourse. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 1.25% to 2.26% (2013: 1.32% to 1.61%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

There are two types of discounting transactions, factoring loans and discounted bills, of which trade receivables are served as asset-backed financing. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts.

For factoring loans, at 31 December 2014, trade receivables of approximately HK$93,719,000 (2013: HK$107,218,000) continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. As at 31 December 2014, no factoring loan has been obtained by the Group (2013: HK$Nil).

For discounted bills, at 31 December 2014, the trade receivables of approximately HK$16,910,000 (2013: HK$11,111,000) as the same as the proceeds of discounted bills continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounted transactions are included in borrowings as asset-backed financing as disclosed in note 27 until the trade debts are collected or the Group settles any losses suffered by the financial institutions.

Because the trade debts have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the trade receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables (net of impairment losses) as of the end of the year is as follows:

	2014 **HK$'000**	2013 HK$'000
Within 1 month	**369,487**	465,715
Over 1 month but within 3 months	**293,507**	296,439
Over 3 months but within 1 year	**32,528**	52,981
Over 1 year	**2,617**	515
	698,139	815,650

The credit period on sale of goods is 25 to 60 days (2013: 25 to 60 days) from the invoice date.

The ageing of trade receivables which are past due but not impaired are as follows:

	2014 **HK$'000**	2013 HK$'000
Within 1 month	**143,158**	123,619
Over 1 month but within 3 months	**36,192**	21,697
Over 3 months but within 1 year	**17,299**	35,807
Over 1 year	**2,490**	350
	199,139	181,473

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The below table reconciles the impairment loss of trade receivables for the year:

	2014 HK$'000	2013 HK$'000
At beginning of year	9,912	8,354
(Reversal of provision)/provision of impairment loss recognised	(1,941)	2,023
Uncollectible amounts written off	(850)	(472)
Exchange difference	9	7
At end of year	7,130	9,912

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(g)(ii).

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 HK$'000	2013 HK$'000
Derivative financial liabilities		
Foreign exchange forward contracts (Note)	14,157	2,391
Categorised as:		
Within 1 year	10,327	2,391
Over 1 year but within 2 years	3,830	—
	14,157	2,391

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Note:

The foreign exchange forward contracts are settled at specific time intervals and major terms of the contracts as at 31 December 2013 and 2014 are as follows:

Notional amount	Trade dates	Contracted exchange rates	Fair value	
			2014	2013
			HK$'000	HK$'000
US$2,500,000	3 October 2013	KRW1,079.65	**–**	561
US$2,500,000	11 October 2013	KRW1,078	**–**	571
US$2,500,000	15 October 2013	KRW1,078	**–**	609
US$2,500,000	15 October 2013	KRW1,078	**–**	650
US$2,000,000	20 February 2014 to 19 February 2016	RMB6.08 to 6.178	**4,674**	–
US$2,000,000	20 February 2014 to 2 March 2016	RMB5.8 to 6.2	**5,326**	–
US$1,000,000	25 February 2014 to 25 February 2016	RMB6.105 to 6.22	**1,880**	–
US$1,000,000	21 February 2014 to 25 February 2016	RMB6.09 to 6.25	**2,277**	–
			14,157	2,391

The above derivatives were measured at fair value at the end of the year. The fair values of the above derivatives were determined based on valuations are performed by Stirling Appraisals Limited, a qualified valuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

23. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the year:

	Accelerated tax depreciation HK$'000	Provision for doubtful debts and warranty HK$'000	Total HK$'000
At 1 January 2013	809	953	1,762
(Charged)/credited to profit or loss	(96)	44	(52)
At 31 December 2013 and 1 January 2014	713	997	1,710
Credited/(charged) to profit or loss	295	(279)	16
At 31 December 2014	1,008	718	1,726

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 HK$'000	2013 HK$'000
Deferred tax assets	**1,727**	1,790
Deferred tax liabilities	**(1)**	(80)
	1,726	1,710

Deferred tax asset has not been recognised for the followings:

	2014 HK$'000	2013 HK$'000
Deductible temporary differences	**12,799**	11,307
Unused tax losses	**57,946**	54,631
	70,745	65,938

23. DEFERRED TAX (CONTINUED)

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK$10,748,000 (2013: HK$2,858,000) could be carried forward indefinitely, remaining losses amounting to approximately HK$47,198,000 (2013: HK$51,773,000) will expire during 2028 to 2033.

24. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	491,651	467,253
Work-in-progress	30,801	27,754
Finished goods	406,393	406,845
	928,845	901,852
Less: Provision for obsolete inventories	(39,047)	(47,538)
	889,798	854,314

25. CASH AND CASH EQUIVALENTS

	2014 HK$'000	2013 HK$'000
Cash at banks and in hand	709,080	688,972

25. CASH AND CASH EQUIVALENTS (CONTINUED)

The currency analysis of cash and cash equivalents are shown as follows:

	2014 HK$'000	2013 HK$'000
Renminbi	**121,528**	131,086
Japanese Yen	**3,293**	3,699
Taiwan dollars	**701**	758
United States dollars	**499,544**	452,758
Hong Kong dollars	**64,056**	91,223
Korean Won	**16,809**	8,078
Others	**3,149**	1,370
	709,080	688,972

Renminbi is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**680,823**	693,421
Other payables and accruals	**164,611**	176,176
	845,434	869,597

All trade and other payables and accruals are due to be settled within twelve months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables as of the end of reporting period is as follows:

	2014 HK$'000	2013 HK$'000
Within 1 month	**373,535**	345,942
Over 1 month but within 3 months	**287,621**	313,843
Over 3 months but within 1 year	**16,683**	29,182
Over 1 year	**2,984**	4,454
	680,823	693,421

27. BORROWINGS

	2014 HK$'000	2013 HK$'000
Import loans — secured	**679,709**	787,835
Bank loans — secured	**7,250**	24,165
Discounted bills	**16,910**	11,111
	703,869	823,111

The repayment schedules of the above borrowings based on the agreed terms of repayment granted by banks are as follows:

	2014 HK$'000	2013 HK$'000
On demand or within 1 year	**703,869**	815,861
Over 1 year but within 2 years	**—**	7,250
	703,869	823,111

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27. BORROWINGS (CONTINUED)

(i) At 31 December 2014, the above borrowings bear interest at effective interest rates ranging from 0.9% per annum over cost of funds (2013: 1.15% per annum plus SIBOR) to 2.75% per annum plus 1 month HIBOR (2013: 2.75% per annum plus 1 month HIBOR) for the year.

(ii) The Group's banking facilities are secured by bank deposits of HK$427,000 (2013: HK$310,000).

(iii) The discounted bills are secured by the Group's trade receivables as disclosed in note 21.

(iv) The banks have overriding right of repayment on demand for all bank loans irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Therefore, the bank loans were entirely classified as current liabilities in the consolidated statement of financial position.

28. PROVISIONS

	2014 HK$'000	2013 HK$'000
Provision for product warranties and returns		
At beginning of year	7,032	6,228
(Reversal of provision)/additional provision made, net	(1,652)	1,517
Utilised	(557)	(713)
Net movement for the year	(2,209)	804
At end of year	4,823	7,032

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale ("Track Record Period"). The Group also has a policy allowing the customers to return any defected products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns in respect of sales made during the Track Record Period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. SHARE CAPITAL

	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**417,518,668**	**41,752**	417,518,668	41,752

30. RESERVES

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

Movements of the reserves of the Company are as follows:

	Share premium HK$'000	Other reserve (Note) HK$'000	Share-based payment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	119,331	495,778	12,478	284	627,871
Profit for the year	—	—	—	25,277	25,277
Dividend paid (Note 15)	—	—	—	(22,964)	(22,964)
Equity settled share-based transactions (Note 32)	—	—	3,350	—	3,350
At 31 December 2013 and 1 January 2014	119,331	495,778	15,828	2,597	633,534
Profit for the year	—	—	—	14,983	14,983
Dividend paid (Note 15)	—	—	—	(16,701)	(16,701)
Equity settled share-based transactions (Note 32)	—	—	(367)	486	119
At 31 December 2014	119,331	495,778	15,461	1,365	631,935

Note: Other reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation in previous year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	**36,226**	30,987
Over 1 year but within 5 years	**51,508**	69,497
	87,734	100,484

32. SHARE-BASED PAYMENT

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 (the Resolutions), the Company has adopted a Pre-IPO Share Option Scheme (the Pre-IPO Share Option Scheme). Under which, share options are granted to directors (including non-executive directors), employees and consultants to the Group (the Grantees). The Pre-IPO Share Option Scheme was terminated on 24 December 2011. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme is remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares of the Company, representing 7.66% of the issued share capital of the Company immediately following the completion of the offering (as defined in the Prospectus), at an exercise price of HK$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK$1 to the Company on acceptance of the offer for the grant of option.

Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 (the Listing Date) of the Company and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 and HK$119,000 (2013: HK$3,350,000) has been charged to profit or loss for the year in accordance with the Group's accounting policy set out in note 4(m).

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

32. SHARE-BASED PAYMENT (CONTINUED)

Movements in the number of share options outstanding and their exercise prices are as follows:

	2014			
	Weighted average exercise price HK$	**Directors '000**	**Employees '000**	**Total '000**
Outstanding at the beginning of the year	**1.46**	**13,290**	**16,250**	**29,540**
Granted during the year	**—**	**—**	**—**	**—**
Lapsed during the year	**1.46**	**—**	**(900)**	**(900)**
Outstanding at the end of the year	**1.46**	**13,290**	**15,350**	**28,640**
Exercisable at the end of the year	**1.46**	**13,290**	**15,350**	**28,640**

	2013			
	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	1.46	13,290	18,300	31,590
Granted during the year	—	—	—	—
Lapsed during the year	1.46	—	(2,050)	(2,050)
Outstanding at the end of the year	1.46	13,290	16,250	29,540
Exercisable at the end of the year	1.46	6,645	8,125	14,770

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32. SHARE-BASED PAYMENT (CONTINUED)

Details of movements in number of share options granted to the directors of the Company are as follows:

		2014		
Director	**On adoption**	**Granted during the year**	**Exercised during the year**	**End of year**
Mr. Wong Shik Ho, Tony	**4,290,000**	**—**	**—**	**4,290,000**
Mr. Wong Fong Pak	**3,300,000**	**—**	**—**	**3,300,000**
Mr. Leung Wah Kan	**3,300,000**	**—**	**—**	**3,300,000**
Mr. Man Wai Hung	**1,200,000**	**—**	**—**	**1,200,000**
Mr. Ho Nai Nap	**1,200,000**	**—**	**—**	**1,200,000**
Total	**13,290,000**	**—**	**—**	**13,290,000**

		2013		
Director	On adoption	Granted during the year	Exercised during the year	End of year
Mr. Wong Shik Ho, Tony	4,290,000	—	—	4,290,000
Mr. Wong Fong Pak	3,300,000	—	—	3,300,000
Mr. Leung Wah Kan	3,300,000	—	—	3,300,000
Mr. Man Wai Hung	1,200,000	—	—	1,200,000
Mr. Ho Nai Nap	1,200,000	—	—	1,200,000
Total	13,290,000	—	—	13,290,000

The fair values for total share options granted to directors and employees were amounted to HK$7,175,000 and HK$10,095,000 respectively and were calculated using the Binomial option pricing model by Stirling Appraisals Limited, a qualified valuer. The weighted average remaining contractual life of the share option outstanding at 31 December 2014 was 1.58 years (2013: 2.58 years).

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

32. SHARE-BASED PAYMENT (CONTINUED)

The inputs into the model were as follows:

The Group and the Company

	Employees and directors As at 14 December 2011
Weighted average share price	1.60
Weighted average exercise price	1.46
Expected volatility	50.16% to 50.76%
Expected life	4.079 to 5.081 years
Risk-free interest rate	0.663% to 0.839%
Early exercise behaviour	220%
Expected dividend yield	5%

The expected volatility is based on the historical volatility on publicly available information.

The risk-free interest rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.

The options were expected to be exercised when the share price of the underlying security of the options rises to 220% of the exercise price.

Share options were granted under a service condition. This condition has not been taken into account in grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

33. CAPITAL COMMITMENTS

At 31 December 2014, the Group had the following capital commitments in respect of:

	2014 **HK$'000**	2013 HK$'000
Contracted for acquisition of property, plant and equipment but not provided	**372**	572

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. CONTINGENCIES

At 31 December 2014, the Group had the following material contingencies:

i. Litigation between Archos SA ("Archos") and PCP for an amount of approximately HK$36,400,000

During the period of around 2008 to 2012, Archos appointed PCP as its OEM manufacturer and purchased computer tablets manufactured by PCP.

On 14 July 2014, Archos filed a writ of summons in the High Court of HKSAR claiming against PCP for damages of approximately HK$36,400,000 plus interest and costs ("Archos' Claim"). Archos alleged that PCP is responsible for repair work of certain computer tablets and is liable for repair costs thereof. Archos also alleged that its settlement of invoices issued by PCP for the repair work during the period from 1 September 2010 to 4 November 2013 was made by mistake of fact and/or law.

PCP denied liability for Archos' Claim. On 10 November 2014, PCP filed a defence against Archos' Claim and made a counterclaim for an aggregate sum of US$1,559,351.10 (equivalent to approximately HK$12,094,000), being after-sales service fees and excess material costs, plus interest and costs.

Details of the litigation are provided in the Company's announcements dated 18 July 2014 and 5 December 2014.

On 2 March 2015, Archos filed a reply and defence of counterclaim denying liability for the counterclaim.

As the litigation is at an early stage, the management has insufficient information to estimate financial impact and outcome of the litigation. Management is of the view that Archos' Claim is without merit and PCP will contest vigorously. Accordingly, no provision has been made in the Group's consolidated financial statements.

ii. Complaint at United States International Trade Commission ("USITC") under investigation

On 21 November 2014, Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor, LLC ("Samsung") had filed a complaint at USITC against NVIDIA Corporation ("NVIDIA"), and fourteen NVIDIA's customers, including the Group's wholly-owned subsidiaries Zotac USA Inc. and Zotac International (Macao Commercial Offshore) Ltd. (collectively "Respondents"), alleging that they engaged in unfair trade practices by making for importation into the United States, certain graphics processing chips and systems on a chip. Samsung's complaint with the USITC seeks an exclusion order that would bar from entry into the United States any graphics processing chips and systems on a chip that are imported by or on behalf of Respondents, and also seeks a cease and desist order to bar further sales of infringing products that have already been imported into the United States. Management is of the view that this matter has no significant impact to the Group's operation, and the Group would adjust its sales strategies accordingly to cope with any potential changes thereafter.

35. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following significant transactions with its related parties:

	2014	2013
	HK$'000	HK$'000
Related companies owned by directors of the Company		
— rent	**755**	720
Director of a subsidiary		
— rent	**178**	138
Director of the Company		
— rent	**178**	138

Rental expenses were charged according to the agreements.

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

Members of key management during the year comprised the directors only whose remuneration is set out in note 13.

36. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 27 and the obligations under finance lease, cash and cash equivalents disclosed in note 25 and equity of the Group, comprising share capital, reserves and retained earnings disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

36. CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at the end of each reporting period was as follows:

	2014 HK$'000	2013 HK$'000
Debts	703,896	823,153
Cash and cash equivalents	(709,080)	(688,972)
Net debts	(5,184)	134,181
Total equity	815,823	781,643
Debts to equity ratio	–0.6%	17.2%

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Ongoing evaluations are performed on monthly basis. Receivables with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, receivables are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for certain customers.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 21.

As at 31 December 2014, approximately 17% (2013: 18%), of the Group's trade receivables were due from a major customer, whose sales accounted for more than 10% of the Group's revenue during the year.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Group's and the Company's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause which can be exercised at the bank's sole discretion. The analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year HK$'000	Over 1 year but within 2 years HK$'000	More than 2 years HK$'000
At 31 December 2014					
Trade and other payables	**845,434**	**845,434**	**845,434**	**–**	**–**
Borrowings	**703,869**	**703,869**	**703,869**	**–**	**–**
Obligations under finance leases	**27**	**27**	**15**	**12**	**–**
Total	**1,549,330**	**1,549,330**	**1,549,318**	**12**	**–**
Derivative settled net:					
Foreign currency forward	**14,157**	**14,157**	**10,327**	**3,830**	**–**
At 31 December 2013					
Trade and other payables	869,597	869,597	869,597	–	–
Borrowings	823,111	823,111	823,111	–	–
Obligations under finance leases	42	42	15	15	12
Total	1,692,750	1,692,750	1,692,723	15	12
Derivative settled net:					
Foreign currency forward	2,391	2,391	2,391	–	–

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Company	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year HK$'000**	**Over 1 year but within 2 years HK$'000**	**More than 2 years HK$'000**
At 31 December 2014					
Accruals	**5,212**	**5,212**	**5,212**	**—**	**—**
Amount due to a subsidiary	**2,024**	**2,024**	**2,024**	**—**	**—**
Total	**7,236**	**7,236**	**7,236**	**—**	**—**
Financial guarantee issued					
Maximum amount guaranteed	**1,625,122**	**1,625,122**	**1,625,122**	**—**	**—**
At 31 December 2013					
Accruals	8,687	8,687	8,687	—	—
Amount due to a subsidiary	2,024	2,024	2,024	—	—
Total	10,711	10,711	10,711	—	—
Financial guarantee issued					
Maximum amount guaranteed	1,578,574	1,578,574	1,578,574	—	—

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year HK$'000	Over 1 year but within 2 years HK$'000	More than 2 years HK$'000
31 December 2014	**7,250**	**7,466**	**7,466**	**–**	**–**
31 December 2013	24,165	24,738	17,274	7,464	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings:

	2014		2013	
	Effective interest rate (per annum)	**HK$'000**	Effective interest rate (per annum)	HK$'000
Variable rate borrowings:				
Import loans	**1.55%**	**679,709**	1.39%	787,835
Bank loans	**2.99%**	**7,250**	2.37%	24,165
Discounted bills	**1.66%**	**16,910**	1.40%	11,111
		703,869		823,111
Fixed rate borrowings:				
Obligations under finance lease	**Nil**	**27**	Nil	42

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the year ended 31 December 2014 by approximately HK$2,938,000 (2013: HK$3,436,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis as 2013.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi.

At 31 December 2014, the Group had foreign currency forward contracts with a fair value of HK$14,157,000 (2013: HK$2,391,000) recognised as derivative financial liabilities (Note 22).

The following table details the Group's exposure at 31 December 2014 and 2013 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2014 Renminbi HK$'000	2013 Renminbi HK$'000	**2014 Korean Won HK$'000**	2013 Korean Won HK$'000
Trade and other receivables	**39,011**	39,628	**12,912**	10,683
Cash and cash equivalents	**103,276**	93,513	**16,809**	8,078
Trade and other payables	**(10,592)**	(7,354)	**(3,145)**	(998)
Currency derivatives at notional value	**(45,598)**	—	**(—)**	(78,724)
Overall net exposure	**86,097**	125,787	**26,576**	(60,961)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

The following table indicates the approximate change in the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the HK$ strengthens against the relevant currency. For a weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

	Increase in foreign exchange rates	Effect on profit after income tax HK$'000
As at 31 December 2014		
Renminbi	**5%**	**19,712**
Korean Won	**5%**	**1,110**
As at 31 December 2013		
Renminbi	5%	5,262
Korean Won	5%	(2,759)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2013.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2014		2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Loans and receivables	**1,429,053**	**N/A**	1,515,206	N/A
Available-for-sale financial assets	**20,992**	**N/A**	20,992	N/A
Financial liabilities				
Fair value through profit or loss	**14,157**	**14,157**	2,391	2,391
Financial liabilities measured at amortised cost	**1,526,834**	**N/A**	1,682,334	N/A

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, pledged time deposits, trade and other payables, borrowings, and obligations under finance leases.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Information about level 2 fair value measurements

The fair value of forward exchange contracts is determined based on the forward exchange rate at the reporting date.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
As at 31 December 2014			
Financial liabilities at fair value through profit or loss			
— derivatives	**—**	**14,157**	**—**
As at 31 December 2013			
Financial liabilities at fair value through profit or loss			
— derivatives	—	2,391	—

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. PARTICULARS OF SUBSIDIARIES

As at 31 December 2014, the particulars of the Company's principal subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
PC Partner Holdings Limited	BVI 2 May 1997	Hong Kong	US$4,264,757	100%	–	Investment holding
Active Smart Limited	Hong Kong 15 February 1994	Hong Kong	HK$10,000	–	100%	Trading of computer parts
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Double Hero Petroleum Factory Limited	Hong Kong 16 August 1994	Hong Kong	HK$50,000	–	100%	Trading of computer parts
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories and computers
PC Partner International Limited	BVI 10 July 2003	Hong Kong	US$1	–	100%	Investment holding
PC Partner Limited	Hong Kong 12 February 1988	Hong Kong	HK$26,520,000	–	100%	Design, manufacture and sale of computer accessories and computers
Zotac International (Macao Commercial Offshore) Limited	Macau 20 September 2006	Macau	MOP100,000	–	100%	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	–	100%	Trading of computer accessories and computers
Zotac USA Inc. (Nevada)	United States of America (USA) 9 October 2007	USA	US$200,000	–	100%	Trading of computer accessories and computers
東莞栢能電子科技有限公司 (Note)	PRC 10 July 2009	PRC	US$21,232,376	–	100%	Subcontracting of computer accessories and computers
東莞市天沛電子科技有限公司 (Note)	PRC 11 July 2008	PRC	RMB17,500,000	–	100%	Subcontracting and trading of computer accessories
Zotac Europe GmbH	Germany 25 September 2012	Germany	EUR25,000	–	100%	Provision of technical support service
PC Vision Limited	Hong Kong 14 June 2013	Hong Kong	HK$6,500,000	–	100%	Design and sale of computer accessories

Note:

All subsidiaries established in the PRC are wholly foreign owned enterprises.

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 March 2015.