



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

2014
Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (Chairman)
Ms. Fung Mei Po (Vice Chairperson and
Chief Executive Officer)
Mr. Lee Chun Sing (Vice Chairman)
Mr. Lee Pak Tung
Ms. Chan Lai Kuen Anita
Mr. Lee Kwok Sing Stanley

Non-executive Directors

Mr. Cheung Tze Man Edward
Mr. Wong Woon Chung Jonathan

Independent Non-executive Directors

Mr. Tsui Chi Him Steve
Mr. Ho Tak Kay
Mr. Hui Chi Kuen Thomas
Mr. Shang Sze Ming

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, FCCA, CPA

COMPANY SECRETARY

Mr. Tsui Chi Yuen, CPA

PRINCIPAL OFFICE

Flat C, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
HSBC
Bank of China
Hang Seng Bank
DBS Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

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

In the Cayman Islands

The R&H Trust Co. Ltd.
P.O. Box 897
Windward 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>

Summary of Notice of Annual General Meeting



Set out below is a summary of the notice of annual general meeting, the full version of which is set out in the circular to shareholders dispatched at 28 April 2015.

An Annual General Meeting of World Houseware (Holdings) Limited (the “Company”) will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong at 3:30 p.m. on Tuesday, 9 June 2015 for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2014.
2. To re-elect Directors and to authorise the Board to fix the Directors’ remuneration.
3. To re-appoint Auditors and authorise the Board to fix their remuneration.
4.
 - A. To grant a general mandate to the Directors to allot shares.
 - B. To grant a general mandate to the Directors to repurchase the Company’s own shares.
 - C. To add the nominal amount of the shares repurchased under resolution 4B to the mandate granted to the Directors under resolution 4A.



Chairman's Statement

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a consolidated turnover of HK\$991,514,000, representing a decrease of 0.4 % from HK\$995,434,000 last year. Gross profit and gross profit margin were HK\$107,197,000 and 10.8 % respectively. Loss for the year was HK\$48,888,000.

The slow recovery of the world economy, the adverse business environment of the manufacturing industry of PRC and the immense increase of labour cost all made the year of 2014 a challenging year.

For houseware products business, due to severe competition, the business faced with immense business pressure. The business turnover this year was HK\$354,411,000, representing a drop for 8.5% when comparing with HK\$387,263,000 last year.

For the PVC pipes and fittings, the business still faced with severe competition. However, as the Group had tried very hard to promote the business, the business turnover this year is HK\$634,599,000, representing an increase of 4.7% when comparing with HK\$605,955,000 last year and the business remained profitable.

During the year under review, the turnover of property investment amounted to HK\$2,504,000, representing an increase of 13 % from HK\$2,216,000 of the same period last year. Gain arising from fair value changes of investment properties was HK\$1,200,000.

PROSPECTS

Looking to 2015, due to the adjustment of economic structure and corporate reshuffling in PRC, the business environment of traditional Chinese manufacturing business is still not optimistic. However, the Group will strive to maintain the healthy development of the household products and PVC pipes and fittings business by improving the internal management and streamlining the production process to reduce the production cost so as to enhance the overall competitiveness of the Group.

In future, the Group will focus on the environmental recycling and reborn resources business. The food waste recycling projects are the Group's major development segment in 2015. The recycling business in Ecopark Phase 2 in Tuen Mun has commenced operation in early 2015 and the Group will greatly expand this high technology recycling and reborn resources business and it is expected that it will generate good return for the Group.



RESULTS

- The Group recorded a turnover of HK\$991,514,000 for the year ended 31 December 2014, representing a decrease of 0.4% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$107,197,000 and 10.8%, representing an increase of HK\$5,134,000 and an increase of 5% respectively as compared to the same period last year.
- Loss for the year was HK\$48,888,000, as compared to a loss of HK\$46,963,000 for the same period last year.
- Basic loss per share was 7.23 HK cents, as compared to loss per share of 6.94 HK cents for the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2014, the Group had bank balances and cash and pledged bank deposits of approximately HK\$57,145,000 (31.12.2013: HK\$91,152,000) and had interest-bearing bank borrowings of approximately HK\$322,186,000 (31.12.2013: HK\$242,730,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2014 amounted to HK\$729,193,000; of which HK\$322,186,000 of the banking facilities was utilised (utilisation rate was at 44.2%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2014, the Group had current assets of approximately HK\$568,530,000 (31.12.2013: HK\$644,470,000). The Group's current ratio was approximately 0.98 as at 31 December 2014 as compared with approximately 1.39 as at 31 December 2013. Total shareholders' funds of the Group as at 31 December 2014 decreased by 8.1% to HK\$886,717,000 (31.12.2013: HK\$965,172,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2014 was 0.7 (31.12.2013: 0.54).



Management Discussion and Analysis

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments and bank deposits with an aggregate net book value of HK\$257,165,000 (31.12.2013: HK\$181,320,000) were pledged to banks for general banking facilities granted to the Group.

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2014, the Group employed a total workforce of about 1,869 (31.12.2013: 2,021) including 1,824 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$132,177,000 (31.12.2013: HK\$129,504,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

Biographical Details of Directors and Senior Management



EXECUTIVE DIRECTORS

LEE Tat Hing, aged 77, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 59, is the wife of Mr. Lee Tat Hing and the Vice Chairperson and Chief Executive Officer of the Group. She has over 20 years' experience in marketing, production planning and factory management and has been with the Group for over 30 years. Ms. Fung is in charge of sales of the Group's North American markets and the Group's Hong Kong operations and administration.

LEE Chun Sing, aged 54, is the son of Mr. Lee Tat Hing and the Vice Chairman of the Group. He is responsible for the planning and production management of the Group's PRC operations and has been with the Group since 1985.

LEE Pak Tung, aged 68, joined the Group in 1976. He has over 30 years' experience in trading and is responsible for the Group's sales to the Asia and Latin American markets.

CHAN Lai Kuen Anita, aged 63, is the chief accounting officer and treasurer of the Group and is responsible for the overall accounting, treasury and human resources of the Group. She has gained extensive experience in accounting, taxation, financial and personnel management by working in various sizable corporations in Hong Kong before she joined the Group in 1986.

LEE Kwok Sing Stanley, aged 52, is the son of Mr. Lee Tat Hing. He is responsible for the administration, management and production of the production plant in Zhongshan, the PRC and he is the project manager of the operation of a business for recycling and reprocessing of food waste in EcoPark, Hong Kong. He joined the Group in 1989 and has over 20 years' experience in factory management.

NON-EXECUTIVE DIRECTORS

CHEUNG Tze Man Edward, aged 62, is a practising solicitor in Hong Kong. He obtained his Bachelor of Laws degree from the University of London and Master of Laws in Chinese Law from University of Hong Kong and is a member of the Law Society in Hong Kong and in England and Wales. He is also a member of the Institute of Chartered Secretaries and Administrators.



Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS – *continued*

WONG Woon Chung Jonathan, aged 57, is currently a Professor in the Department of Biology at the Hong Kong Baptist University where he has taught since 1992. He is also the Executive Director of Earth Tech Consultancy Co. Ltd. providing environmental consultancy service. He received his Bachelor's degree of Science (Honours) and Master of Philosophy in Biology from the Chinese University of Hong Kong and his Doctor of Philosophy in environmental science from Murdoch University, Western Australia. He is currently the Director of the Sino-Forest Applied Research Centre for Pearl River Delta Environment and Hong Kong Organic Resource Centre ("HKORC"). He is a world renowned expert in conducting research exploring the reutilization of organic wastes for energy and biomass production, developing innovative composting technology and anaerobic digestion of food waste. Mr. Wong has been actively involved in promoting environmental protection and conservation in Hong Kong, and has been appointed as a member of a number of Government's advisory committees including Chairman of the Advisory Committee on Agriculture and Fisheries, Vice Chairman of the Environmental Campaign Committee, Member of the Expert Committee of the Centre for Food Safety and etc. He was awarded the Medal of Honour for his valuable contribution to the promotion of environmental protection by the Government of the Hong Kong Special Administrative Region.

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 59, had engaged in managerial positions in major British and Chinese banks in Hong Kong in the past with more than 20 years' experience in credit, credit audit and credit risk management, involving many medium size and some large corporations listed in China or in Hong Kong. Mr. Tsui joined the Group in 2007.

HO Tak Kay, aged 58, is a fellow member of the Association of Chartered Certified Accountants as well as the Hong Kong Institute of Certified Public Accountants. He had worked in certain international accounting firms before and has over 30 years experience in audit, accounting and financial fields. Mr. Ho joined the Group in 2004.

HUI Chi Kuen Thomas, aged 58, is a professional accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia and CPA Australia. He has over 20 years' experience in accounting, taxation and financial management gained in certain multinational corporations and publicly listed companies in Hong Kong and Australia. Mr. Hui joined the Group in 2004.

SHANG Sze Ming, aged 55, graduated from The Ohio State University of The United States of America with a bachelor's degree of Science in Business Administration and obtained his Master's degree of Business Administration in Finance and Master's degree of Science in Financial Services – Investment from Golden Gate University of The United States of America. He has extensive experience in investment and management for over eighteen years. He was appointed as Senior Investment Analyst in two securities companies and as Investor Relations Manager in a large listed company. Mr. Shang joined the Group in 2012.

Biographical Details of Directors and Senior Management



SENIOR MANAGEMENT

LEUNG Cho Wai, aged 48, is the Financial Controller and Qualified Accountant of the Group. He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 50, is the secretary of the Company and joined the Group in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsui has over 25 years of experience in auditing, accounting and financial management.

LEE Fung Mei Belinda, aged 49, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Ms. Lee graduated from York University in Canada with a Bachelor's degree in Economics. Ms. Lee assists Ms. Fung Mei Po in the marketing of the Group's products in the United States of America and Canada and she has been with the Group since 1989.

LEE Hon Sing Alan, aged 51, is the son of Mr. Lee Tat Hing. Mr. Lee is responsible for the administration, management and production of one of the major production plant in Shenzhen, the PRC. He joined the Group in 1989 and has over 15 years' experience in factory management.

CHEN Hsin Hsiung, aged 72, is the engineering and production manager of the printing roller division. Before joining the Group in 1992, Mr. Chen had over 30 years' experience in PVC printing roller technology.

WANG Wen Bi, aged 49, graduated from the Taiwan Culture University. He is the engineering and technology manager of PVC pipes and fittings segment. He joined the Group in 1995 and has over 14 years' experience in technological management, production and administration.

WONG Sung Kong, aged 55, is the chief artist and has been with the group since 1985. He holds a certificate in art and design from the Department of Extramural Studies of the Chinese University of Hong Kong. In 1985, he was invited by the Urban Council to participate in the Contemporary Hong Kong Art Biennial Exhibition.

KWONG Bau To, aged 59, is responsible for the development of the business for recycling and reprocessing of food waste in EcoPark, Hong Kong. He has gained extensive experience in engineering and marketing field by working with sizable corporations in Hong Kong in the past. He joined the Group in 2014.



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:

Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Pak Tung
Chan Lai Kuen Anita
Lee Kwok Sing Stanley

Non-executive Directors:

Cheung Tze Man Edward
Wong Woon Chung Jonathan

Independent Non-executive Directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas
Shang Sze Ming

The four Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.



BOARD OF DIRECTORS – *continued*

Ms. Fung Mei Po, the Vice Chairperson and Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, the Vice Chairman and Lee Kwok Sing Stanley, an Executive Director are the sons of Mr. Lee Tat Hing, the Chairman.

During the year, five full board meetings were held and the attendance of each director is set out as follows:

Name of directors	Number of board meetings attended in 2014	Attendance rate
Lee Tat Hing	5/5	100%
Fung Mei Po	5/5	100%
Lee Chun Sing	5/5	100%
Lee Pak Tung	5/5	100%
Chan Lai Kuen Anita	5/5	100%
Lee Kwok Sing Stanley	5/5	100%
Cheung Tze Man Edward	5/5	100%
Wong Woon Chung Jonathan	5/5	100%
Tsui Chi Him Steve	5/5	100%
Ho Tak Kay	5/5	100%
Hui Chi Kuen Thomas	5/5	100%
Shang Sze Ming	5/5	100%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The regular Board meeting schedule for any year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.



Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Independent Non-executive Directors and Non-executive Director is disclosed in all corporate communications.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Ms. Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for Non-executive Director and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

DIRECTORS' TRAINING

According to Code provision A6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.



REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises the Chairman, a Non-executive Director and four Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2014. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2014	Attendance rate
Tsui Chi Him Steve (<i>Chairman of remuneration committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 13 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Director and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.
4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.



Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises the Chairman, one Executive director and four independent Non-executive Directors. The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. One meetings were held in 2014. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2014	Attendance rate
Lee Tat Hing (<i>Chairman of nomination committee</i>)	1/1	100%
Fung Mei Po	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming	1/1	100%

The Nomination Committee which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The Nomination Committee responsibilities are as follows:

- a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
- d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
- e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The terms of reference of the Nomination Committee are available from the Company Secretary on request.

The Board recognize the importance and benefit of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience.



NOMINATION COMMITTEE – *continued*

With the existing Board members coming from a variety of business and professional background and two out of the twelve Board members being woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the company's business.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2014, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises one Non-executive Director and four Independent Non-executive Directors.

The Audit Committee shall meet at least two times a year. Two meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2014	Attendance rate
Tsui Chi Him Steve (<i>Chairman of audit committee</i>)	2/2	100%
Cheung Tze Man Edward	2/2	100%
Hui Chi Kuen Thomas	2/2	100%
Ho Tak Kay	2/2	100%
Shang Sze Ming	2/2	100%

During the meetings held in 2014 the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2013 and for the six months ended 30 June 2014;
- (ii) reviewed the effectiveness of internal control system;
- (iii) discussed with the external auditors the audit fee in respect of the financial statements for the year ended 31 December 2013.



Corporate Governance Report

AUDIT COMMITTEE – *continued*

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
2. To discuss with the external auditors the nature and scope of the audit.
3. To review the interim and annual financial statements before submission to the Board.
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmastu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	2,500
Review on interim financial statements	538
Non-audit services – taxation and other services	235
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	3,273
	<hr/> <hr/>



COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in our investor relations website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2013.

INTERNAL CONTROL

The Company maintains a comprehensive and effective internal control system. The Company's internal control cover a number of procedures and policies which covers all material controls, including financial, operational, compliance controls and risk management functions.

The management of the Company had reviewed the Company's internal control system for the year ended 31 December 2014 and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.



Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The directors do not recommend the payment of a dividend for the year ended 31 December 2014.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2014, resulting in a net increase in fair value of HK\$1,200,000, which has been credited directly to profit or loss.

Details of these and other movements of investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$149,415,000 on additions to production and other facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2014 represent the aggregate of share premium, special reserve and accumulated losses which amounted to approximately HK\$313,737,000 (2013: HK\$317,055,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

DIRECTORS

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

Executive directors:

Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Kwok Sing Stanley
Lee Pak Tung
Chan Lai Kuen Anita

Non-executive directors:

Cheung Tze Man Edward
Wong Woon Chung Jonathan

Independent non-executive directors:

Tsui Chi Him Steve
Hui Chi Kuen Thomas
Ho Tak Kay
Shang Sze Ming

In accordance with Article 116 of the Company's Articles of Association, Ms. Chan Lai Kuen Anita, Mr. Lee Pak Tung, Mr. Wong Woon Chung Jonathan and Mr. Lee Kwok Sing Stanley retire by rotation and, being eligible, offer themselves for re-election.

Each of the non-executive directors has entered into a service agreement with the Company for a term of three years from 6 September 2014 except Mr. Tsui Chi Him Steve, Mr. Shang Sze Ming and Mr. Wong Woon Chung Jonathan who have entered into service agreements with the Company for a term of three years from 17 November 2013, 1 November 2012 and 1 December 2012 respectively and subject to re-election in accordance with the Company's Articles of Association.

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

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

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

Name of directors	Number of issued ordinary shares held				Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	1,756,072	39,121,087(a)	28,712,551(c)	280,895,630(d)	350,485,340	51.81%
Fung Mei Po	39,121,087	30,468,623(b)	–	280,895,630(d)	350,485,340	51.81%
Lee Chun Sing	21,815,830	240,000(e)	–	280,895,630(d)	302,951,460	44.79%
Lee Kwok Sing Stanley	17,280	–	–	280,895,630(d)	280,912,910	41.53%
Lee Pak Tung	2,766,448	–	–	–	2,766,448	0.41%
Hui Chi Kuen Thomas	100,000	–	–	–	100,000	0.01%
Chan Lai Kuen Anita	2,623	–	–	–	2,623	–

Notes:

- (a) Mr. Lee Tat Hing is the husband of Ms. Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Ms. Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Ms. Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by the discretionary trust of which Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing and Mr. Lee Kwok Sing Stanley are the discretionary objects.
- (e) The shares are held by Ms. Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES – *continued*

At 31 December 2014, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of directors	Name of subsidiaries	Number of deferred non-voting shares held
Fung Mei Po	World Home Linen Manufacturing Company Limited	100
Lee Pak Tung	Hong Kong PVC Placemat Manufacturing Company Limited	25,000

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 31 December 2014, save as aforesaid and options holdings disclosed under the heading of "Share Options and Directors' Rights to Acquire Shares or Debentures" and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives or their associates had any interests or short positions in the shares or any securities of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 5 percent or more of the Company's issued share capital as at 31 December 2014.

Directors' Report

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$ (Note 1)	Exercisable period	Outstanding as at 31.12.2013 and 31.12.2014
Category 1: Directors				
Lee Tat Hing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Fung Mei Po	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Chun Sing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Kwok Sing Stanley	24.10.2011	0.237	24.10.2011 to 23.10.2021	5,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Pak Tung	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	3,000,000
Chan Lai Kuen Anita	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	3,000,000
Cheung Tze Man Edward	24.10.2011	0.237	24.10.2011 to 23.10.2021	1,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000
Tsui Chi Him Steve	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Hui Chi Kuen Thomas	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Category 2: Employees	24.10.2011	0.237	24.10.2011 to 23.10.2021	17,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	20,500,000
				102,100,000

Note 1: These share options are exercisable, starting from the date of options granted for a period of 10 years.

Save as disclosed above, none of the above share options were exercised during the year.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 10.4% and 36.3%, respectively, of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 16.3% and 37%, respectively, of the Group's purchases for the year.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2014.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

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

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 29 to the consolidated financial statements.



Directors' Report

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independency pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$567,000.

AUDITOR

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

On behalf of the Board

Lee Tat Hing

CHAIRMAN

Hong Kong

24 March 2015

Deloitte.

德勤

TO THE SHAREHOLDERS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of World Houseware (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 27 to 93, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

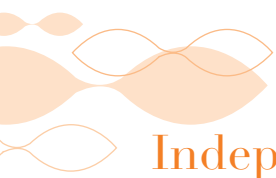
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of 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.

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



Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Turnover	7	991,514	995,434
Cost of sales		(884,317)	(893,371)
Gross profit	8	107,197	102,063
Other income	9	7,851	11,616
Other gains and losses		8,127	(7,577)
Selling and distribution costs		(26,985)	(18,570)
Administrative expenses		(110,494)	(110,541)
Impairment losses recognised on trade receivables		(15,176)	(4,340)
Finance costs	10	(12,314)	(10,434)
Loss before taxation		(41,794)	(37,783)
Taxation	11	(7,094)	(9,180)
Loss for the year	12	(48,888)	(46,963)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(29,567)	33,314
Total comprehensive expense for the year		(78,455)	(13,649)
Loss for the year attributable to:			
Owners of the Company		(48,884)	(46,960)
Non-controlling interests		(4)	(3)
		(48,888)	(46,963)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(78,451)	(13,646)
Non-controlling interests		(4)	(3)
		(78,455)	(13,649)
Loss per share			
Basic and diluted (HK cents per share)	15	(7.23)	(6.94)

Consolidated Statement of Financial Position

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investment properties	16	30,130	28,930
Property, plant and equipment	17	747,490	675,925
Prepaid lease payments	18	79,779	84,283
Deposits paid for acquisition of property, plant and equipment		8,337	31,404
Deposit and prepayments for a life insurance policy	19	51,098	–
Intangible assets	20	583	1,040
Long-term prepayment	36	21,500	21,500
		938,917	843,082
Current assets			
Inventories	21	216,386	263,305
Trade and other receivables	22	294,458	289,970
Taxation recoverable		541	43
Pledged bank deposits	23	8,489	8,297
Bank balances and cash	23	48,656	82,855
		568,530	644,470
Current liabilities			
Trade and other payables	24	212,858	208,201
Amounts due to directors	25	36,827	21,982
Taxation payable		6,760	6,381
Bank borrowings – amount due within one year	26	322,186	227,001
		578,631	463,565
Net current (liabilities) assets		(10,101)	180,905
Total assets less current liabilities		928,816	1,023,987
Non-current liabilities			
Bank borrowings – amount due after one year	26	–	15,729
Deferred taxation	27	4,693	4,723
Deposit received	36	37,406	38,363
		42,099	58,815
		886,717	965,172

Consolidated Statement of Financial Position



For the year ended 31 December 2014

	NOTE	2014 HK\$'000	2013 HK\$'000
Capital and reserves			
Share capital	28	67,642	67,642
Reserves		819,097	897,548
		<hr/>	<hr/>
Equity attributable to owners of the Company		886,739	965,190
Non-controlling interests		(22)	(18)
		<hr/>	<hr/>
		886,717	965,172
		<hr/> <hr/>	<hr/> <hr/>

The consolidated financial statements on pages 27 to 93 were approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on its behalf by:

Lee Tat Hing
Chairman

Fung Mei Po
*Vice Chairperson
and
Chief Executive Officer*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Non-distributable reserve HK\$'000 (Note a)	Share option reserve HK\$'000	Translation reserve HK\$'000	PRC statutory surplus reserve HK\$'000 (Note b)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	67,642	313,127	251,393	13,074	318,193	17,377	(1,970)	978,836	(15)	978,821
Loss for the year	-	-	-	-	-	-	(46,960)	(46,960)	(3)	(46,963)
Other comprehensive income for the year	-	-	-	-	33,314	-	-	33,314	-	33,314
Total comprehensive income (expense) for the year	-	-	-	-	33,314	-	(46,960)	(13,646)	(3)	(13,649)
Transfers	-	-	-	-	-	2,118	(2,118)	-	-	-
At 31 December 2013	67,642	313,127	251,393	13,074	351,507	19,495	(51,048)	965,190	(18)	965,172
Loss for the year	-	-	-	-	-	-	(48,884)	(48,884)	(4)	(48,888)
Other comprehensive expense for the year	-	-	-	-	(29,567)	-	-	(29,567)	-	(29,567)
Total comprehensive expense for the year	-	-	-	-	(29,567)	-	(48,884)	(78,451)	(4)	(78,455)
Lapse of share options	-	-	-	(52)	-	-	52	-	-	-
Transfers	-	-	-	-	-	2,331	(2,331)	-	-	-
At 31 December 2014	67,642	313,127	251,393	13,022	321,940	21,826	(102,211)	886,739	(22)	886,717

Notes:

- (a) The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserve are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before taxation	(41,794)	(37,783)
Adjustments for:		
Amortisation of intangible assets	438	439
Amortisation of prepaid lease payments	2,531	2,533
Bank interest income	(286)	(1,303)
Depreciation of property, plant and equipment	54,246	53,607
Foreign exchange difference on inter-company balances	(6,369)	7,626
Gain arising from changes in fair value of investment properties	(1,200)	(2,280)
Impairment loss recognised on trade receivables	15,176	4,340
Impairment loss recognised on other receivables	2,055	385
Imputed interest income from deposit placed for a life insurance policy	(349)	–
Interest expenses	12,314	10,434
Loss on disposal of property, plant and equipment	498	5,090
Premium charges on a life insurance policy	366	–
Reversal of allowance for inventories obsolescence	(157)	–
Gain arising from changes in fair value of derivative financial instruments	–	(2,943)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	37,469	40,145
Decrease (increase) in inventories	41,177	(27,790)
Increase in trade and other receivables	(26,263)	(6,097)
Increase in trade and other payables	7,597	14,874
	<hr/>	<hr/>
Net cash generated from operations	59,980	21,132
Hong Kong Profits Tax paid	(749)	(1,274)
Hong Kong Profits Tax refunded	264	28
Income tax paid in the PRC	(6,495)	(7,755)
	<hr/>	<hr/>
Net cash generated from operating activities	53,000	12,131
	<hr/>	<hr/>

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	7,212	2,707
Withdrawal of pledged bank deposits	5,802	22,828
Interest received	286	1,303
Purchase of property, plant and equipment	(119,879)	(61,724)
Payment for a life insurance policy	(52,587)	–
Placement of pledged bank deposits	(6,018)	(1,556)
Deposits paid for acquisition of property, plant and equipment	(3,207)	(20,169)
Proceeds from disposal of derivative financial instruments	–	2,943
	<hr/>	<hr/>
Net cash used in investing activities	(168,391)	(53,668)
	<hr/>	<hr/>
Cash flows from financing activities		
Bank loans raised	272,294	167,518
Advance from directors	15,000	–
Net increase (decrease) in trust receipts and import loans	10,818	(4,836)
Net increase (decrease) in bank overdrafts	944	(2,389)
Repayment of bank loans	(201,396)	(111,586)
Interest paid	(14,058)	(11,731)
Repayment to directors	(155)	(270)
	<hr/>	<hr/>
Net cash generate from financing activities	83,447	36,706
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(31,944)	(4,831)
Cash and cash equivalents at 1 January	82,855	84,705
Effect of foreign exchange rate changes	(2,255)	2,981
	<hr/>	<hr/>
Cash and cash equivalents at 31 December, represented by bank balances and cash	48,656	82,855
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and under the Companies Law and registered thereunder as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling parties are Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, who are also the Chairman and Chief Executive Officer of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014, the Group had net current liabilities of HK\$10,101,000 which included borrowings due within one year of HK\$322,186,000. The directors believe the existing revolving bank borrowings of HK\$204,732,000 included in the current liabilities at the end of the reporting period could be successfully renewed on maturity date. The directors also do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment for the term loans of HK\$117,454,000 which are subject to repayable on demand clause but not repayable within one year based on the agreed scheduled repayments set out in the loan agreements. In addition, the Group had available unutilised borrowing facilities of HK\$326,599,000 as at 31 December 2014 which will be subject to review in years of 2015 and 2016. The directors are of the opinion that the Group has a good track record and relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

Taking into account of the presently available banking facilities and internally generated funds of the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK (IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16, and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ⁵

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

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

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

⁴ Effective for annual periods beginning on or after 1 July 2014.

⁵ Effective for annual periods beginning on or after 1 January 2016.

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



3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

HKFRS 15 “Revenue from contracts with customers”

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.



4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

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

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

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

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

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

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

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

Revenue recognition

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

Sales of goods

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Sales of goods – *continued*

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

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

Rental income

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.



4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress over their estimated useful lives, using the reducing balance method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasehold land and building

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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



4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

Current tax

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

Deferred tax

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Internally – generated intangible assets – research and development expenditure

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 recognised in 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.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Inventories

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

Impairment on tangible and intangible assets

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

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.



4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets

Financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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

Impairment of financial assets

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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*

Financial instruments – *continued*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expenses is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees, directors and non-executive directors

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company 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 may differ from these estimates.

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

Critical judgments in applying accounting policies

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



5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Deferred taxation on investment properties

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

As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

Regarding the Group's investment properties located in the PRC, the directors concluded that the investment properties located in the PRC are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the presumption is rebutted and the Group recognised deferred taxes on changes in fair value of investment properties located in the PRC on the basis that the entire carrying amounts of the investment properties located in the PRC were recovered through use.

Key sources of estimation uncertainty

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated impairment loss of inventories

The Group makes allowance for inventories obsolescence based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of allowance would be changed as a result of the changes in current market conditions subsequently.

The carrying amount of inventories at 31 December 2014 is HK\$216,386,000 (net of allowance for inventories obsolescence of HK\$5,975,000) (2013: HK\$263,305,000 (net of allowance for inventories obsolescence of HK\$6,441,000)).

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of trade receivables is HK\$268,757,000 (net of allowance for bad and doubtful debts of HK\$75,607,000) (2013: HK\$249,317,000 (net of allowance for bad and doubtful debts of HK\$62,229,000)).

Income taxes

As at 31 December 2014, a deferred taxation asset of HK\$2,929,000 (2013: HK\$2,769,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$200,160,000 (2013: HK\$186,695,000) due to the unpredictability of future profit streams. The realisability of the deferred taxation asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred taxation assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

Impairment assessment of assets relating to household products segment

Determining whether the assets relating to household products segment is impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.



5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The financial controller and certain directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The financial controller works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank borrowings, disclosed in note 26, pledged bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Food waste recycling	–	food waste recycling business
Others	–	investment in properties

During the year ended 31 December 2014, a newly reportable segment, food waste recycling business, has been presented as separate segment because the respective segment result exceeds the quantitative thresholds in accordance with HKFRS 8 "Operating Segments".

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

For the year ended 31 December 2014

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	354,411	634,599	–	–	–	989,010
Inter-segment sales	380	239	–	–	(619)	–
Rental income	–	–	–	2,504	–	2,504
Total	<u>354,791</u>	<u>634,838</u>	<u>–</u>	<u>2,504</u>	<u>(619)</u>	<u>991,514</u>
Segment (loss) profit	(15,253)	14,556	(6,783)	3,504	–	(3,976)
Imputed interest income from deposit placed for a life insurance policy						349
Interest income						286
Premium charges on a life insurance policy						(366)
Unallocated corporate expenses						(25,773)
Finance costs						(12,314)
Loss before taxation						<u>(41,794)</u>

Inter-segment sales are charged at cost plus certain mark-up.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2013

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	387,263	605,955	–	–	–	993,218
Inter-segment sales	548	555	–	–	(1,103)	–
Rental income	–	–	–	2,216	–	2,216
Total	<u>387,811</u>	<u>606,510</u>	<u>–</u>	<u>2,216</u>	<u>(1,103)</u>	<u>995,434</u>
Segment (loss) profit	(23,885)	21,779	(4,221)	4,380	–	(1,947)
Gain arising from changes in fair value of derivative financial instruments						2,943
Interest income						1,303
Unallocated corporate expenses						(29,648)
Finance costs						(10,434)
Loss before taxation						<u>(37,783)</u>

Inter-segment sales are charged at cost plus certain mark-up.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss) incurred/profit earned by each segment without allocation of central administration costs, gain arising from changes in fair value of derivative financial instruments, imputed interest income from deposit placed for a life insurance policy, interest income, premium charges on a life insurance policy and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION – *continued*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2014

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	398,695	738,594	159,285	30,130	1,326,704
Unallocated assets					180,743
Consolidated total assets					<u>1,507,447</u>
Liabilities					
Segment liabilities	101,254	143,860	2,846	–	247,960
Unallocated liabilities					372,770
Consolidated total liabilities					<u>620,730</u>

At 31 December 2013

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	472,682	770,717	51,141	28,930	1,323,470
Unallocated assets					164,082
Consolidated total assets					<u>1,487,552</u>
Liabilities					
Segment liabilities	96,583	147,660	–	–	244,243
Unallocated liabilities					278,137
Consolidated total liabilities					<u>522,380</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than deposit and repayments for a life insurance policy, taxation recoverable, pledged bank deposits, bank balances and cash as well as deposits and leasehold land and buildings where such buildings are provided to group directors as residential accommodation (see note 13(i)).
- all liabilities are allocated to operating segments other than amounts due to directors, taxation payable, bank borrowings, deferred taxation, bonus payable and accruals of administrative expenses in head office.

Other segment information

For the year ended 31 December 2014

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment (loss) profit or segment assets:							
Addition to non-current assets	11,977	18,161	119,277	–	149,415	–	149,415
Depreciation	20,627	30,861	819	–	52,307	1,939	54,246
Amortisation of intangible assets	438	–	–	–	438	–	438
Amortisation of prepaid lease payments	1,109	1,422	–	–	2,531	–	2,531
Impairment loss (reversed) recognised on trade receivables	(127)	15,303	–	–	15,176	–	15,176
Impairment loss recognised on other receivables	682	913	–	460	2,055	–	2,055
Net foreign exchange (gain) loss	(8,557)	1,132	–	–	(7,425)	–	(7,425)
Loss (gain) on disposal of property, plant and equipment	620	(122)	–	–	498	–	498
Gain arising from changes in fair value of investment properties	–	–	–	(1,200)	(1,200)	–	(1,200)

Amounts regularly provided to the chief
operating decision maker but not
included in the measure of segment
profit or segment assets:

Imputed interest income from a deposit placed for a life insurance policy	–	–	–	–	–	(349)	(349)
Interest income	(207)	(79)	–	–	(286)	–	(286)
Interest expenses	8,474	3,840	–	–	12,314	–	12,314
Income tax expenses	(660)	7,754	–	–	7,094	–	7,094
Premium charges on a life insurance policy	–	–	–	–	–	366	366

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2013

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment (loss) profit or segment assets:							
Addition to non-current assets	36,075	30,110	-	-	66,185	-	66,185
Depreciation	21,189	30,479	-	-	51,668	1,939	53,607
Amortisation of intangible assets	439	-	-	-	439	-	439
Amortisation of prepaid lease payments	1,107	1,426	-	-	2,533	-	2,533
Impairment loss (reversed) recognised on trade receivables	(54)	4,394	-	-	4,340	-	4,340
Impairment loss recognised on other receivables	385	-	-	-	385	-	385
Net foreign exchange loss	7,025	685	-	-	7,710	-	7,710
Loss on disposal of property, plant and equipment	4,604	486	-	-	5,090	-	5,090
Gain arising from changes in fair value of investment properties	-	-	-	(2,280)	(2,280)	-	(2,280)

Amounts regularly provided to the chief
operating decision maker but not
included in the measure of segment
profit or segment assets:

Interest income	(1,089)	(214)	-	-	(1,303)	-	(1,303)
Interest expenses	6,706	3,728	-	-	10,434	-	10,434
Income tax expenses	2,250	6,930	-	-	9,180	-	9,180

Geographical information

More than 90% of the sales of the Group's PVC pipes and fittings made to customers were in the PRC. The Group's operations of household products are principally located in the United States of America, Asia and Europe.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



7. SEGMENT INFORMATION – continued

Geographical information – continued

The Group's revenue from household products from external customers by geographical location of the customers are detailed below:

	Revenue from external customers	
	2014 HK\$'000	2013 HK\$'000
United States of America	326,403	355,999
Asia	4,594	5,511
Europe	2,476	2,574
Other areas	20,938	23,179
	<hr/>	<hr/>
Total sales of household products	354,411	387,263
	<hr/> <hr/>	<hr/> <hr/>

More than 90% of the Group's non-current assets are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Information about major customers

During the year ended 31 December 2014, one customer in household products segment contributed HK\$102,920,000 (2013: HK\$106,739,000), which is over 10%, of the Group's external revenue.

8. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Bank interest income	286	1,303
Courier and transportation income	2,517	1,327
Imputed interest income from a deposit placed for a life insurance policy	349	–
Government grants (note)	142	1,018
Sales of scrap materials	947	1,483
Others	3,610	6,485
	<hr/>	<hr/>
	7,851	11,616
	<hr/> <hr/>	<hr/> <hr/>

Note:

The amounts mainly represent the incentives granted by the relevant PRC government authorities to the Group for recognition of establishment of the food waste recycling business in Zhongshan.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Gain arising from changes in fair value of investment properties	1,200	2,280
Gain arising from changes in fair value of derivative financial instruments	–	2,943
Loss on disposal of property, plant and equipment	(498)	(5,090)
Net foreign exchange gain (loss)	7,425	(7,710)
	<u>8,127</u>	<u>(7,577)</u>

10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	13,869	11,731
– not wholly repayable within five years	153	–
Interest on amount due to a director	36	–
	<u>14,058</u>	<u>11,731</u>
Less: amounts capitalised in the cost of qualifying assets	(1,744)	(1,297)
	<u>12,314</u>	<u>10,434</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



11. TAXATION

	2014	2013
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– charge for the year	9	11
– (over)underprovision in prior years	(740)	2,464
	(731)	2,475
PRC Enterprise Income Tax (“EIT”)	7,754	6,930
	7,023	9,405
Deferred taxation charge (credit) (note 27)	71	(225)
	7,094	9,180

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2014	2013
	HK\$'000	HK\$'000
Loss before taxation	(41,794)	(37,783)
Tax at the domestic income tax rate of 25%	(10,449)	(9,446)
Tax effect of expenses not deductible for tax purpose	10,759	7,421
Tax effect of income not taxable for tax purpose	(1,896)	(2,445)
Tax effect of tax losses not recognised as deferred tax asset	7,664	10,127
Utilisation of tax losses previously not recognised as deferred tax asset	(8)	(6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,764	1,065
(Over)underprovision in prior years	(740)	2,464
Tax charge for the year	7,094	9,180



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. LOSS FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 13)	20,568	19,674
Other staff's salaries and wages	125,058	121,361
Other staff's retirement benefit scheme contributions	7,119	8,143
	<hr/>	<hr/>
Total staff costs	152,745	149,178
	<hr/>	<hr/>
Amortisation of intangible assets (included in cost of sales)	438	439
Amortisation of prepaid lease payments	2,531	2,533
Auditors' remuneration	2,530	2,500
Cost of inventories recognised as an expense	884,317	893,371
Depreciation of property, plant and equipment	54,246	53,607
Impairment loss recognised on trade receivables	15,176	4,340
Impairment loss recognised on other receivables	2,055	385
Operating lease rentals in respect of rented premises	2,187	2,260
and after crediting:		
Gross rental income from investment properties	2,504	2,216
Less: Direct operating expenses that generated rental income	(200)	(117)
	<hr/>	<hr/>
	2,304	2,099
	<hr/>	<hr/>
Bank interest income	286	1,303
Imputed interest income from a deposit placed for a life insurance policy	349	–
Reversal of allowance for inventories obsolescence (note a)	157	–
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Reversal of allowance for inventories obsolescence has been recognised in 2014 due to realisation and subsequent usage of the relevant inventories and such amount has been included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(i) Details of emoluments paid by the Group to each of the directors are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2014				
Executive directors:				
Lee Tat Hing	–	7,955	–	7,955
Fung Mei Po	–	3,585	17	3,602
Lee Chun Sing	–	3,585	17	3,602
Lee Pak Tung	–	695	–	695
Chan Lai Kuen Anita	–	1,125	17	1,142
Lee Kwok Sing Stanley	–	2,475	17	2,492
Non-executive directors:				
Cheung Tze Man Edward	180	–	–	180
Wong Woon Chung Jonathan	180	–	–	180
Independent non-executive directors:				
Tsui Chi Him Steve	180	–	–	180
Hui Chi Kuen Thomas	180	–	–	180
Ho Tak Kay	180	–	–	180
Shang Sze Ming	180	–	–	180
	<u>1,080</u>	<u>19,420</u>	<u>68</u>	<u>20,568</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(i) Details of emoluments paid by the Group to each of the directors are as follows: – continued

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2013				
Executive directors:				
Lee Tat Hing	–	7,777	–	7,777
Fung Mei Po	–	3,375	15	3,390
Lee Chun Sing	–	3,375	15	3,390
Lee Pak Tung	–	677	–	677
Chan Lai Kuen Anita	–	1,080	15	1,095
Lee Kwok Sing Stanley	–	2,250	15	2,265
Non-executive directors:				
Cheung Tze Man Edward	180	–	–	180
Wong Woon Chung Jonathan	180	–	–	180
Independent non-executive directors:				
Tsui Chi Him Steve	180	–	–	180
Hui Chi Kuen Thomas	180	–	–	180
Ho Tak Kay	180	–	–	180
Shang Sze Ming	180	–	–	180
	1,080	18,534	60	19,674
	1,080	18,534	60	19,674

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

Ms. Fung Mei Po is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Ms. Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK\$1,437,000 (2013: HK\$1,473,000) for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(ii) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors including the Chief Executive of the Company whose emoluments are included in the disclosures in (i) above. The emoluments of the remaining one (2013: one) individual was as follows:

	2014	2013
	HK\$'000	HK\$'000
Salaries and other benefits	2,475	2,250
Retirement benefit scheme contributions	17	15
	2,492	2,265

The emoluments were within the following bands:

	Number of employees	
	2014	2013
HK\$2,000,001 to HK\$3,000,000	1	1

No emoluments were paid 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. None of the directors or Chief Executive has waived any emoluments during both years.

14. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2014 and 31 December 2013, nor has dividend been proposed since the end of both reporting periods.



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15. LOSS PER SHARE

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

	2014	2013
	HK\$'000	HK\$'000
Loss for the purposes of calculating basic and diluted loss per share (loss for the year attributable to owners of the Company)	(48,884)	(46,960)
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	676,417,401	676,417,401

The diluted loss per share for the year ended 31 December 2014 and 2013 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

16. INVESTMENT PROPERTIES

	2014	2013
	HK\$'000	HK\$'000
FAIR VALUE		
At 1 January	28,930	26,650
Increase in fair value recognised in profit or loss	1,200	2,280
At 31 December	30,130	28,930

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES – *continued*

The carrying amounts of investment properties shown above comprises:

	2014	2013
	HK\$'000	HK\$'000
Properties situated in Hong Kong	17,200	16,570
Properties situated in the PRC	12,930	12,360
	<hr/> 30,130 <hr/>	<hr/> 28,930 <hr/>

The investment properties are held under medium-term leases.

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

The fair value of the Group's investment properties as at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out on the dates by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets and where appropriate on the basis of capitalization method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES – *continued*

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to the fair value
<i>As at 31 December 2014</i>				
Residential properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.	N/A	N/A
Commercial properties in the PRC	Level 3	Income capitalisation method The key inputs are: (1) Capitalisation rate; (2) Monthly rent; and (3) Level adjustment.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition which range from 6.0% to 6.5%. Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design which range from RMB100/sq.m. to RMB168/sq.m.. Level adjustment on individual floors of the property concluding with a proportion of 0% –15% on a base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value. The higher the level adjustment, the lower the fair value.

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES – continued

Investment properties held by the Group in the statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to the fair value
<i>As at 31 December 2013</i>				
Residential properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.	N/A	N/A
A commercial property in the PRC	Level 3	Direct comparison method The key inputs are: (1) Price per sq. m.; and (2) Asking price adjustment.	Price per sq. m., using comparable transactions of similar properties, of RMB31,400 per sq. m. gross. Asking price adjustment on the property concluding with a proportion of 5%.	The higher the price, the higher the fair value. The higher the asking price adjustment, the lower the fair value.
Commercial properties in the PRC	Level 3	Income capitalisation method The key inputs are: (1) Capitalisation rate; (2) Monthly rent; and (3) Level adjustment.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition which range from 5.75% to 6.5%. Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design which range from RMB80/sq. m. to RMB140/sq. m.. Level adjustment on individual floors of the property concluding with a proportion of 0% – 68% on a base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value. The higher the level adjustment, the lower the fair value.

There were no transfers into or out of Level 2 during the year.

The Group has pledged investment properties having a net book value of approximately HK\$17,200,000 (2013: HK\$16,570,000) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2013	550,719	105,129	51,149	23,509	811,055	18,425	1,559,986
Currency realignment	12,590	2,777	1,301	311	21,360	688	39,027
Additions	161	917	31	2,191	5,269	57,616	66,185
Reclassifications	1,173	10,261	4,203	293	15,190	(31,120)	-
Disposals	-	(1,504)	-	(1,981)	(26,816)	-	(30,301)
At 31 December 2013	564,643	117,580	56,684	24,323	826,058	45,609	1,634,897
Currency realignment	(11,554)	(2,825)	(1,370)	(328)	(18,782)	(2,413)	(37,272)
Additions	1,076	808	2,579	2,052	20,353	122,547	149,415
Reclassifications	2,356	2,402	3,800	-	3,715	(12,273)	-
Disposals	-	(1,837)	-	(1,647)	(61,821)	-	(65,305)
At 31 December 2014	556,521	116,128	61,693	24,400	769,523	153,470	1,681,735
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	223,362	91,206	33,300	16,915	540,298	-	905,081
Currency realignment	5,620	2,324	810	214	13,820	-	22,788
Provided for the year	20,487	3,521	3,179	1,587	24,833	-	53,607
Eliminated on disposals	-	(1,355)	-	(1,746)	(19,403)	-	(22,504)
At 31 December 2013	249,469	95,696	37,289	16,970	559,548	-	958,972
Currency realignment	(5,773)	(2,255)	(843)	(281)	(12,226)	-	(21,378)
Provided for the year	20,578	3,997	2,891	1,585	25,195	-	54,246
Eliminated on disposals	-	(1,623)	-	(1,483)	(54,489)	-	(57,595)
At 31 December 2014	264,274	95,815	39,337	16,791	518,028	-	934,245
CARRYING VALUES							
At 31 December 2014	292,247	20,313	22,356	7,609	251,495	153,470	747,490
At 31 December 2013	315,174	21,884	19,395	7,353	266,510	45,609	675,925

Notes to the Consolidated Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT – continued

The cost of leasehold land and buildings is depreciated over the shorter of the term of the lease on twenty-five to fifty years on a straight line basis.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance basis, at the following rates per annum:

Furniture, fixtures and equipment	18 – 20%
Leasehold improvements	Over shorter of the term of leases or 20%
Motor vehicles	20%
Plant and machinery	9 – 20%

The carrying values of the Group's leasehold land and buildings comprise:

	2014	2013
	HK\$'000	HK\$'000
Leasehold land and buildings in Hong Kong under medium-term leases	72,321	73,642
Buildings in the PRC on medium-term land use rights	219,926	241,532
	292,247	315,174

The construction in progress comprise properties located in the PRC under medium-term lease.

As at 31 December 2014, the Group has capitalised interest expenses on bank borrowings amounting to HK\$3,041,000 (2013: HK\$1,297,000) and such amounts are included in the construction in progress.

The Group has pledged land and buildings having a net book value of approximately HK\$196,183,000 (2013: HK\$133,705,000) to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2014	2013
	HK\$'000	HK\$'000
Leasehold land located in the PRC under medium-term leases	82,272	86,836

Notes to the Consolidated Financial Statements

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18. PREPAID LEASE PAYMENTS – *continued*

Analysed for reporting purposes as:

	2014	2013
	HK\$'000	HK\$'000
Non-current assets	79,779	84,283
Current assets (included in trade and other receivables)	2,493	2,553
	82,272	86,836

The Group has pledged prepaid lease payments having a net book value of approximately HK\$35,293,000 (2013: HK\$22,748,000) to secure general banking facilities granted to the Group.

19. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

During the year ended 31 December 2014, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure a director of the Company, Mrs. Fung Mei Po. Under the policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is USD20,000,000 (equivalent to HK\$155,000,000). At inception of the Policy, the Group paid an upfront payment of USD6,785,000 (equivalent to HK\$52,587,000). The Group can terminate the policy at any time and can receive cash back based on the net nominal account value of the Policy at the date of withdrawal. The Group receives an interest at interest rates guaranteed by the insurer. As at 31 December 2014, deposit and prepayments for a life insurance policy amounting to HK\$51,098,000 and HK\$1,472,000, totalling HK\$52,570,000, are classified as non-current assets and current assets, respectively.

The directors of the Company expected that the Policy will be terminated at the 10th policy year in 2024 and there will be a specified surrender charge of USD749,000 (equivalent to HK\$5,805,000) in accordance with the Policy. The expected life of the Policy remained unchanged from the date of initial recognition and the directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The effective interest rate of the deposit is 2.11% per annum which was determined on initial recognition by discounting the estimated future cash receipts through the expected life of the Policy of 10 years. While the premium charges and prepaid premium will be amortised to profit or loss through the expected life of the Policy of 10 years.

As at 31 December 2014, the life insurance was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



20. INTANGIBLE ASSETS

	Capitalised development costs HK\$'000
COST	
At 1 January 2013	3,988
Currency realignment	111
	<hr/>
At 31 December 2013	4,099
Currency realignment	(102)
	<hr/>
At 31 December 2014	3,997
	<hr/>
AMORTISATION	
At 1 January 2013	2,546
Currency realignment	74
Charge for the year	439
	<hr/>
At 31 December 2013	3,059
Currency realignment	(83)
Charge for the year	438
	<hr/>
At 31 December 2014	3,414
	<hr/>
CARRYING VALUES	
At 31 December 2014	583
	<hr/> <hr/>
At 31 December 2013	1,040
	<hr/> <hr/>

Development costs are internally generated on development activities of high value-added environmental reborn resources and recycling business.

The intangible assets are amortised over its estimated economic life of 10 years using the straight line method.

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For the year ended 31 December 2014

21. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Raw materials and consumables	93,662	124,593
Work in progress	44,248	56,277
Finished goods	78,476	82,435
	<u>216,386</u>	<u>263,305</u>

22. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, net of allowance for doubtful debts, at the end of the reporting period:

	2014 HK\$'000	2013 HK\$'000
0 – 30 days	87,499	87,698
31 – 60 days	51,371	59,164
61 – 90 days	35,552	35,739
91 – 180 days	54,374	34,676
Over 180 days	39,961	32,040
Trade receivables, net of allowance for doubtful debts	268,757	249,317
Prepayments for raw materials, deposits and other receivables	21,736	38,100
Prepaid lease payments (note 18)	2,493	2,553
Deposit and prepayments for a life insurance policy (note 19)	1,472	–
Total trade and other receivables	<u>294,458</u>	<u>289,970</u>

The Group allows credit periods ranging from 30 days to 180 days, depending on the products sold, to its trade customers. Trade and other receivables are unsecured and interest-free.

Before accepting any new customers, the Group will internally assess the potential customers' credit quality and defines appropriate credit limits by customer. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted. Limits attributed to customers are reviewed every year. All of the trade receivables that are neither past due nor impaired are considered to be of good credit quality with satisfactory settlement history.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



22. TRADE AND OTHER RECEIVABLES – *continued*

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2014	2013
	HK\$'000	HK\$'000
USD	42,355	45,906

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$137,275,000 (2013: HK\$112,001,000) which are past due at the reporting date for which the Group had not provided for impairment loss as these receivables are either subsequently settled or due from certain major customers with no history of default and have strong financial background and good creditability. The Group does not hold any collateral over these balances.

Aging of trade receivables based on the invoice date which are past due but not impaired

	2014	2013
	HK\$'000	HK\$'000
31 – 60 days	17,798	15,415
61 – 90 days	25,142	29,870
91 – 180 days	54,374	34,676
Over 180 days	39,961	32,040
	137,275	112,001

Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectable. Allowance on doubtful debts recognised for 2013 and 2014 are based on estimated irrecoverable amounts by reference to financial background, creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. Full provision has been made for individual trade receivables aged over one year with no subsequent settlement as historical evidence shows that such receivables are generally not recoverable, or individual trade receivables which has either been placed under liquidation or in severe financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

22. TRADE AND OTHER RECEIVABLES – *continued*

Movement in the allowance for doubtful debts

	2014 HK\$'000	2013 HK\$'000
1 January	62,229	56,278
Currency realignment	(1,798)	1,611
Impairment losses recognised on trade receivables	15,176	4,340
	<hr/>	<hr/>
31 December	75,607	62,229

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payable and short term bank borrowings granted to the Group and are therefore classified as current assets. The pledged bank deposits carry interest at market rates which range from 0.01% to 1.8% (2013: 0.01% to 1.8%) per annum. The pledged deposits will be released upon the settlement of relevant borrowings.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less, which carry interest at market rates. Bank balances carry interest at market rates which range from 0.01% to 1.45% (2013: 0.01% to 1.35%) per annum.

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

	2014 HK\$'000	2013 HK\$'000
USD	4,112	7,347
HK\$	2,207	664
RMB	1,709	1,662
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



24. TRADE AND OTHER PAYABLES

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

	2014	2013
	HK\$'000	HK\$'000
0 – 30 days	40,639	60,403
31 – 60 days	23,977	50,270
61 – 90 days	26,679	19,259
Over 90 days	53,628	18,061
	<hr/>	<hr/>
Total trade and bills payables	144,923	147,993
Other payables	67,935	60,208
	<hr/>	<hr/>
Total trade and other payables	212,858	208,201
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of the Group's other payables at the end of the reporting period:

	2014	2013
	HK\$'000	HK\$'000
Accrued expenses	11,269	7,741
Receipt in advance	29,721	30,857
Wages and bonus payable	12,328	12,142
Payable on acquisition of property, plant and equipment	2,371	477
Payable on acquisition of land use rights	2,062	2,114
Value-added tax payables	2,343	309
Property tax and other tax payables	2,841	3,591
Others	5,000	2,977
	<hr/>	<hr/>
	67,935	60,208
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is 90 days.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2014	2013
	HK\$'000	HK\$'000
USD	17,201	29,586
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. AMOUNTS DUE TO DIRECTORS

The amounts due to directors, who are also the controlling shareholders of the Group, are unsecured and repayable within one year. Other than an amount of HK\$15,000,000 (2013: nil) bears interest at 2.9% per annum, the remaining balance are interest-free.

26. BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Variable rate bank loans	304,852	237,158
Variable rate trust receipts and import loans	16,390	5,572
Variable rate bank overdrafts	944	–
	322,186	242,730
Secured	322,186	237,730
Unsecured	–	5,000
	322,186	242,730
Carrying amount repayable*:		
Within one year	204,732	224,701
More than one year, but not exceeding two years	36,784	18,029
More than two years, but not exceeding five years	57,861	–
More than five years	22,809	–
	322,186	242,730
Amount due within one year (excluding those loans with repayment on demand clause) shown under current liabilities	108,853	116,496
Carrying amount of bank loans that have a repayment on demand clause (shown under current liabilities)		
– repayable within one year	95,879	108,205
– repayable after one year	117,454	2,300
	213,333	110,505
Amount shown under current liabilities	322,186	227,001
Add: Amount shown under non-current liabilities	–	15,729
	322,186	242,730

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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For the year ended 31 December 2014



26. BANK BORROWINGS – continued

The bank loans of the Group, which were borrowed by subsidiaries, that are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2014	2013
	HK\$'000	HK\$'000
USD	67,114	5,571

The ranges of interest rates which is repriced every three months, on the Group's borrowings are as follows:

	2014	2013
Variable rate borrowings, trust receipts, import loans and bank overdrafts	Interest rate: Ranging from Hong Kong Inter Bank Offered Rate ("HIBOR")+ 1.75% to 3%, Prime rate to Prime rate + 1% and Central Bank base interest rate of the People's Republic of China multiplied by 110% to 115%	Interest rate: Ranging from HIBOR + 1.75% to 3.3% Prime rate to Prime rate + 1% and Central Bank base interest rate of the People's Republic of China multiplied by 110% to 115%

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate: Variable rate borrowings	1.75% to 6.60%	1.75% to 7.26%

Notes to the Consolidated Financial Statements

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27. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Fair value changes in investment properties HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2013	(9,549)	(1,064)	1,909	3,873	(4,831)
Exchange realignment	(208)	–	–	91	(117)
Credit (charge) to profit or loss	1,727	(167)	860	(2,195)	225
At 31 December 2013	(8,030)	(1,231)	2,769	1,769	(4,723)
Exchange realignment	144	–	–	(43)	101
(Charge) credit to profit or loss	(137)	(94)	160	–	(71)
At 31 December 2014	(8,023)	(1,325)	2,929	1,726	(4,693)

At the end of the reporting period, the Group had unused tax losses of approximately HK\$217,910,000 (2013: HK\$203,475,000) available to offset against future assessable profits. A deferred taxation asset of HK\$2,929,000 (2013: HK\$2,769,000) has been recognised in respect of HK\$17,750,000 (2013: HK\$16,780,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of HK\$200,160,000 (2013: HK\$186,695,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of the following amounts that will expire in the following years. Other losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the end of the reporting period. The unrecognised tax losses in the PRC will expire as follows:

	2014 HK\$'000	2013 HK\$'000
Tax losses expiring on:		
2014	–	19,967
2015	2,278	2,336
2016	1,803	1,849
2017	17,657	21,490
2018	3,566	–
2019	22,220	–
	47,524	45,642

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27. DEFERRED TAXATION – *continued*

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$117,151,000 (2013: HK\$98,264,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	HK\$'000
Authorised:	
1,500,000,000 shares of HK\$0.10 each	
At 1 January 2013, 31 December 2013 and 31 December 2014	150,000
Issued and fully paid:	
676,417,401 shares of HK\$0.10 each	
At 1 January 2013, 31 December 2013 and 31 December 2014	67,642

There were no changes in the authorised, issued and fully paid share capital in both years.

29. SHARE OPTION SCHEME

The Company adopted its first share option scheme on 11 March 1993, and such share option scheme was terminated in 2003. The Company's second share option scheme (the "Share Option Scheme"), was adopted at an extraordinary general meeting of the Company held on 10 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 9 June 2021. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 101,600,000 (2013: 102,100,000), representing 15.0% (2013: 15.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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29. SHARE OPTION SCHEME – *continued*

Options granted must be taken up within 1 month of the date of grant, upon payment of HK\$1 from each grantee upon acceptance of offer. Options may be exercised immediately from the date of grant of the share options to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2014	Lapsed during the year	Outstanding at 31.12.2014
<u>2011</u>							
Executive directors	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	27,000,000	–	27,000,000
Non-executive director	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	1,000,000	–	1,000,000
Independent non-executive directors	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	1,800,000	–	1,800,000
Employees	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	17,000,000	(500,000)	16,500,000
					<u>46,800,000</u>	<u>(500,000)</u>	<u>46,300,000</u>
<u>2012</u>							
Executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	32,000,000	–	32,000,000
Non-executive director	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	1,000,000	–	1,000,000
Independent non-executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	1,800,000	–	1,800,000
Employees	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	20,500,000	–	20,500,000
					<u>55,300,000</u>	<u>–</u>	<u>55,300,000</u>
					<u>102,100,000</u>	<u>(500,000)</u>	<u>101,600,000</u>

The weighted average exercise price of options outstanding at the end of the reporting period is HK\$0.276 (2013: HK\$0.276).

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	377,384	344,391
Financial liabilities		
Amortised cost	528,538	434,006

30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include deposit for a life insurance policy, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and amounts due to directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 35% (2013: 38%) and 52% (2013: 51%) of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currencies of the group entities making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, trade and other receivables, trade and other payables and bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2014 and 2013 are as follows:

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
USD	99,037	53,252	(84,315)	(35,157)
HK\$	2,207	664	–	–
RMB	1,709	1,662	–	–
	102,953	55,578	(84,315)	(35,157)

In addition, the Group is also exposed to foreign currency risk arising from intra-group loans/trading transactions denominated in HK\$ involving PRC entities whose functional currency is RMB. The foreign currency denominated net monetary assets in relation to these intra-group balances amounted to approximately HK\$285,859,000 (2013: HK\$246,785,000). The Group has not formulated a policy to hedge the foreign currency risk.



Notes to the Consolidated Financial Statements

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30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$. Exposures on balances which are denominated in USD in group companies with HK\$ as functional currency, are not considered significant as HK\$ is pegged to USD. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currency of the relevant group companies) against HK\$ while all other variables are held constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items including external loans as well as loans/trading balances with foreign operations within the Group where the denomination of the loan/balance is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates a decrease in loss for the year where RMB weakens against HK\$. For a 5% strengthening of RMB against HK\$, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	2014	2013
	HK\$'000	HK\$'000
RMB	10,802	9,279

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate bank borrowings (see note 26). In relation to these variable rate bank borrowings, the Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.



30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate bank borrowings at the end of the reporting period. A 100 basis points (2013: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A negative number below indicates an increase in interest rate of 100 basis points. For decreasing interest rate of 100 basis points, there would be an equal and opposite impact on the loss for the year and the balances below could be positive,

	2014	2013
	HK\$'000	HK\$'000
Interest rate of 100 basis points	(2,585)	(2,027)

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

Other price risk

The Group is engaged in the business activities of design, manufacture and marketing of PVC and fabric household products and PVC pipes and fittings. PVC resin is a by-product in the refinery of petroleum products from crude oil. The price of crude oil is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such price may have favourable or unfavourable impacts to the Group. The Group historically has not used commodity derivative instruments to hedge against potential price fluctuations of crude oil and therefore the Group is exposed to general price fluctuations of crude oil.

No sensitivity analysis is presented as in management's opinion, a sensitivity analysis would be unrepresentative of the other price risk as the year end exposure does not reflect the exposure during the year.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 79% (2013: 78%) of the total trade receivables as at 31 December 2014. The Group has no significant concentration of credit risk in trade receivables with exposure spread over a number of counterparties.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised bank loan facilities of approximately HK\$326,599,000 (2013: HK\$142,105,000).

The following table details the Group's remaining contractual maturity for its non-derivative 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 can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

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

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	–	65,241	50,656	53,628	–	169,525	169,525
Bank borrowings – variable rate	4.40	213,333	30,210	81,085	–	324,628	322,186
Amounts due to directors	–	36,827	–	–	–	36,827	36,827
		315,401	80,866	134,713	–	530,980	528,538

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
As at 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	–	81,704	69,529	18,061	–	169,294	169,294
Bank borrowings – variable rate	5.36	122,067	23,351	86,273	17,195	248,886	242,730
Amounts due to directors	–	21,982	–	–	–	21,982	21,982
		225,753	92,880	104,334	17,195	440,162	434,006

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30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. At 31 December 2014 and 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$213,333,000 and HK\$110,505,000, respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid from two to seven years (2013: two to four years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$227,146,000 (2013: HK\$111,273,000).

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group’s variable rate bank loans based on the scheduled repayment dates set out in the loan agreement as set out in the table below:

	Weighted average interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Variable rate bank loans								
As at 31 December 2014	2.81	46,568	18,839	33,207	104,755	23,777	227,146	213,333
As at 31 December 2013	3.51	63,090	23,683	22,033	2,467	–	111,273	110,505

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

Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



31. CAPITAL COMMITMENTS

	2014	2013
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– plant and equipment	14,371	34,519
– buildings	9,200	85,224
	23,571	119,743

32. OPERATING LEASES

The Group as lessee

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

	2014	2013
	HK\$'000	HK\$'000
Within one year	2,184	2,198
In the second to fifth year inclusive	8,640	8,695
After fifth year	28,080	30,433
	38,904	41,326

Leases are negotiated and rentals are fixed for an average term of two years (2013: two years). One of the leases has a term of twenty years.



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32. OPERATING LEASES – *continued*

The Group as lessor

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

	2014 HK\$'000	2013 HK\$'000
Within one year	1,971	1,618
In the second to fifth year inclusive	861	1,692
After fifth year	279	279
	<hr/> 3,111 <hr/>	<hr/> 3,589 <hr/>

The Group's investment properties are held for rental purposes. The properties held have committed tenants for periods of up to ten years (2013: ten years).

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings were secured by the following assets:

	2014 HK\$'000	2013 HK\$'000
Leasehold land and buildings	196,183	133,705
Investment properties	17,200	16,570
Prepaid lease payments	35,293	22,748
Bank deposits	8,489	8,297
	<hr/> 257,165 <hr/>	<hr/> 181,320 <hr/>

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group (see note 19).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,250 (increase to HK\$1,500 with effect from 1 June 2014) per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the state-sponsored pension schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the consolidated statement of profit or loss and other comprehensive income is HK\$7,187,000 (2013: HK\$8,203,000).

35. RELATED PARTIES TRANSACTIONS

(a) Compensation of key management personnel:

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

	2014	2013
	HK\$'000	HK\$'000
Short-term benefits	23,067	22,984
Post-employment benefits	102	90
	23,169	23,074

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

- (b) During the year ended 31 December 2014, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group’s banking facilities amounting to HK\$172,000,000 (2013: HK\$22,641,000). Approximately HK\$59,177,000 (2013: HK\$15,216,000) was utilised in respect of this banking facility as at 31 December 2014.

Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, the directors and controlling shareholders of the Company, are directors and controlling shareholders of Joy Tower Limited.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

35. RELATED PARTIES TRANSACTIONS – *continued*

- (c) During the year ended 31 December 2014, the Group paid consultancy fee amounted to HK\$480,000 (2013: HK\$480,000) to Earth Tech Consultancy Company Limited.

Mr. Wong Woon Chung Jonathan, a non-executive director of the Company, is the director and controlling shareholder of Earth Tech Consultancy Company Limited.

- (d) During the year ended 31 December 2014, the Group paid interest expenses on the amount due to a director of the Company, Ms. Fung Mei Po, amounted to HK\$36,000 (2013: nil).

36. OTHER MATTERS

On 14 February 2011, one of the subsidiaries of the Company, Welidy Limited (“Welidy”), has entered into a cooperative development framework agreement with an independent third party property developer in relation to the redevelopment of land which is owned by Welidy and the factory situated on the piece of land which is currently in use as one of the production plants by one of the subsidiaries of the Company, World Plastic Mat (Baoan) Company Limited (“World (Baoan)”).

On 11 August 2011, Welidy further entered into a provisional removal remedy agreement (“provisional removal remedy agreement”) with the same independent third party. Under the provisional removal remedy agreement, the Group will hand over the above mentioned piece of land to the independent third party for development in exchange for certain residential or commercial properties (the “compensated properties”) constructed after the redevelopment of land. However, the details of compensation have not been finalised between both parties and the official removal remedy agreement has not been entered into between Welidy, the property developer and the PRC government authorities by the end of the reporting period.

As at 31 December 2014, the carrying amounts of the related prepaid lease payments and the factory situated on the piece of land are HK\$7,364,000 (2013: HK\$7,744,000) and HK\$19,015,000 (2013: HK\$22,702,000), respectively. Deposit amounting to RMB30,000,000 (equivalent to approximately HK\$37,406,000 (2013: HK\$38,363,000)) was received by the Group during the year ended 31 December 2011. The deposits are refundable upon the receipt of all the compensated properties or acknowledgement from PRC government authorities on the termination of development project. During the year ended 31 December 2011, the Group also prepaid HK\$21,500,000 for legal consultancy services to be provided by a PRC lawyer in respect of this redevelopment project. The directors of the Company are of the opinion that the development project is still at preliminary stage and conditional upon the approval by the PRC government authorities for the change of usage of land use rights of the land with a plan to redevelop it from industrial properties into residential, communal facilities and other commercial properties. Taking into account the status of the project, both the prepayment and the deposit received were classified as non-current as at 31 December 2014 and 31 December 2013 as the directors of the Company believe that the redevelopment project will not be completed within one year from the end of the reporting period.

As at 31 December 2014, the directors of the opinion that the financial impact of the redevelopment project cannot be estimated reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	2014	2013	
Action Land Limited	Hong Kong – limited liability company	HK\$6,000,000	–	–	100%	100%	Provision of transportation services
Greatflow Investments Limited	British Virgin Islands (“BVI”) – limited liability company	US\$1	–	–	100%	100%	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.*	PRC – wholly foreign owned enterprise	US\$10,000,000	–	–	100%	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.*	PRC – wholly foreign owned enterprise	HK\$230,000,000	–	–	100%	100%	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong – limited liability company	HK\$2	–	–	100%	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited	PRC – wholly foreign owned enterprise	US\$11,910,000	–	–	100%	100%	Manufacture and operate recycling and reborn resources related business
Welidy	Hong Kong – limited liability company	HK\$10,000	–	–	100%	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong – limited liability company	HK\$200	–	–	100%	100%	Property holding
		Deferred non-voting shares HK\$10,000 (Note a)					
World Houseware (B.V.I.) Limited	BVI – limited liability company	HK\$50,000	100%	100%	–	–	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	2014	2013	
World Houseware Producing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$160,500 (Note b)	–	–	100%	100%	Trading in household products
World (Baoan)*	PRC – wholly foreign owned enterprise	HK\$360,000,000	–	–	100%	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong – limited liability company	HK\$32,500,000	–	–	100%	100%	Investment holding

* The English name is translated for identification purpose only.

Notes:

- (a) None of the deferred non-voting shares are held by the Group.
- (b) The deferred non-voting shares are held by Welidy.

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

All the subsidiaries operate in their respective places of incorporation/registration except Welidy which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (BVI) Limited operates in Hong Kong.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014



38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	HK\$'000	HK\$'000
Assets		
Investments in subsidiaries	45,232	45,284
Amounts due from subsidiaries	350,499	353,818
Bank balances and cash	111	112
	395,842	399,214
Liabilities		
Accrued expenses	(1,442)	(1,443)
Net assets	394,400	397,771
Capital and reserves		
Share capital	67,642	67,642
Reserves	326,758	330,129
Total equity	394,400	397,771

Movements in reserves:

	Share capital	Share premium	Special reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	67,642	313,127	8,917	13,074	(1,545)	401,215
Loss for the year	-	-	-	-	(3,444)	(3,444)
At 1 December 2013	67,642	313,127	8,917	13,074	(4,989)	397,771
Loss for the year	-	-	-	-	(3,319)	(3,319)
Lapse of share options	-	-	-	(52)	-	(52)
At 31 December 2014	67,642	313,127	8,917	13,022	(8,308)	394,400

Financial Summary

RESULTS

	For the year ended 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Turnover	1,010,712	1,129,055	1,074,970	995,434	991,514
Profit (loss) before taxation	6,489	(36,623)	17,577	(37,783)	(41,794)
Taxation	(3,845)	70	(6,844)	(9,180)	(7,094)
Profit (loss) for the year	2,644	(36,553)	10,733	(46,963)	(48,888)
Profit (loss) attributable to owners of the Company	2,644	(34,785)	10,956	(46,960)	(48,884)
Non-controlling interests	–	(1,768)	(223)	(3)	(4)
Profit (loss) for the year	2,644	(36,553)	10,733	(46,963)	(48,888)

ASSETS AND LIABILITIES

	At 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Total assets	1,375,325	1,422,587	1,428,924	1,487,552	1,507,447
Total liabilities	(445,169)	(467,655)	(450,103)	(522,380)	(620,730)
	930,156	954,932	978,821	965,172	886,717
Equity attributable to owners of the Company	930,156	951,794	978,836	965,190	886,739
Non-controlling interests	–	3,138	(15)	(18)	(22)
	930,156	954,932	978,821	965,172	886,717