PME GROUP LIMITED

必美宜集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00379

ANNUAL REPORT 2014

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping *(Chairman)*
Ms. Yeung Sau Han Agnes *(Chief Executive Officer)*
Mr. Lai Ka Fai
Mr. Feng Gang
Mr. Tao Ke

NON-EXECUTIVE DIRECTOR

Mr. Cheng Kwok Woo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Ms. Yeung Sau Han Agnes

AUDIT COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping *(Chairman)*
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

379

WEBSITE

http://www.pme8.com

Chairman's Statement

I hereby present to our shareholders the 2014 annual report.

RESULTS FOR THE YEAR

For the year 2014, the Group recorded turnover of approximately HK$138.3 million and profit attributable to the shareholders amounted to approximately HK$27.6 million.

The Directors do not recommend payment of final dividend for the year ended 31 December 2014.

REVIEW OF THE YEAR

The Group's turnover and revenue for the year ended 31 December 2014 increased by 64.2% and 11.8% to approximately HK$138.3 million and HK$89.8 million respectively as compared with last year. Segmental revenue of polishing materials and equipment division increased by 11.8% as compared with last year and there was no segmental revenue of other divisions.

Profit for the year ended 31 December 2014 attributable to the shareholders of the Company was approximately HK$27.6 million (2013: HK$108.5 million). The Group recorded a decrease in the annual results for the year ended 31 December 2014 as compared with last year mainly because of increase in administrative expenses, loss on partial disposal of an associate, loss on derecognition of an associate and decrease in fair value of held for trading investments.

Segmental loss of the polishing materials and equipment division decreased from approximately HK$19.3 million in 2013 to HK$4.5 million in 2014. Segmental loss of the investment division increased from approximately HK$16.2 million in 2013 to HK$45.0 million in 2014.

Segment profit of the terminal and logistics services division decreased from HK$174.5 million in 2013 to HK$146.0 million in 2014.

On 17 January 2014, Upmove International Limited ("Upmove"), an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement with the joint venture partner, pursuant to which each of Upmove and the joint venture partner has agreed to make the capital increase in an amount of RMB50 million each to 日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited** "Rizhao Lanshan") to increase Rizhao Lanshan's registered capital from RMB330 million to RMB430 million. The amounts of the capital increase will be used for the terminal construction and general capital of Rizhao Lanshan.

On 21 December 2014, Upmove and Rizhao Lanshan entered into the disposal agreements with each of the Purchasers, namely 日照港股份有限公司 (Rizhao Port Company Limited**), 新加坡石化發展有限公司 (Singapore Petrochemical & Energy Development Pte. Ltd.) and 上海谷隆投資有限公司 (Shanghai Gulong Investments Limited**), pursuant to which Upmove has conditionally agreed to transfer an aggregate of 50% equity interest in Rizhao Lanshan to the purchasers for a total consideration of RMB900,000,000 (equivalent to approximately HK$1,134,000,000). The consideration shall be paid in cash and completion shall be conditional upon, among other things, the approval of the disposal agreements and the transactions contemplated thereunder by the shareholders at an extraordinary general meeting. Proceeds from the disposal will be applied for investment opportunities in future and general working capital. Details of the transaction may refer to the announcement made by the Company on 22 January 2015.

** The English translation of Chinese names or words, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

Chairman's Statement

OUTLOOK

The management believes the year of 2015 will be a year full of challenges. Facing with the continuous slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials in China and abroad, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2015 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The management considers developing of other chemical projects at the appropriate time, such as methanol and other chemical raw materials, and wishes to open another promising business for the Group with its rich chemical industry experience and understanding of the market in China and abroad.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

APPRECIATION

On behalf of the Board, I take this opportunity to thank our staff for their continuous effort and contributions to the Group.

I also take this opportunity to thank our customers, suppliers and business partners for your support during the year.

Finally, I would like to thank our shareholders for your trust in the Company.

Wong Lik Ping
Chairman
Hong Kong, 31 March 2015

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover and revenue for the year ended 31 December 2014 increased by 64.2% to approximately HK$138.3 million and increased by 11.8% to approximately HK$89.8 million respectively as compared with last year. Revenue for the year was wholly contributed by the polishing materials and equipment division.

Profit for the year ended 31 December 2014 attributable to the shareholders of the Company was approximately HK$27.6 million (2013: HK$108.5 million). The Group recorded a decrease in the annual profit for the year ended 31 December 2014 as compared with last year mainly because of increase in administrative expenses, loss on partial disposal of an associate, loss on derecognition of an associate and decrease in fair value of held for trading investments.

Segmental loss of the polishing materials and equipment division decreased from approximately HK$19.3 million in 2013 to HK$4.5 million in 2014. Segmental loss of the investment division increased from approximately HK$16.2 million in 2013 to HK$45.0 million in 2014.

Segment profit of the terminal and logistics services division decreased from HK$174.5 million in 2013 to HK$146.0 million in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2014, the Group did not have any interest bearing borrowings (31 December 2013: HK$8.7 million).

At 31 December 2014, current assets of the Group amounted to approximately HK$524.2 million (31 December 2013: HK$475.1 million). The Group's current ratio was approximately 4.01 as at 31 December 2014 as compared with 3.82 as at 31 December 2013. At 31 December 2014, the Group had total assets of approximately HK$1,403.6 million (31 December 2013: HK$1,368.5 million) and total liabilities of approximately HK$149.6 million (31 December 2013: HK$143.4 million), representing a gearing ratio (measured as total liabilities to total assets) of 10.7% as at 31 December 2014 as compared with 10.5% as at 31 December 2013.

ISSUE OF NEW SHARES IN 2013

On 25 January 2013, the Company entered into the subscription agreements with Sino Life Insurance Co., Ltd. and On Tak Lee Trading Limited in relation to the subscription of 800,000,000 and 200,000,000 new ordinary shares in the share capital of the Company at HK$0.355 per subscription share respectively. The aggregate nominal value of the new shares was HK$10,000,000.

Sino Life Insurance Co., Ltd. is an insurance company incorporated in the PRC with limited liability. On Tak Lee Trading Limited is a logistic, trading and investment holdings company incorporated in Hong Kong with limited liability.

The subscription represents an opportunity to raise additional capital for the Company, strengthen the financial position of the Company and enhance the shareholders base.

Management Discussion and Analysis

The net proceeds raised from the subscription were approximately HK$355 million, of which (i) approximately HK$210 million would be used for the development of terminal and logistics business of the Company in Rizhao city, Shandong Province, the PRC; and (ii) balance of approximately HK$145 million would be used for general working capital and future strategic investments of the Group. As at 31 December 2014, approximately HK$75 million from the subscription was utilized for the general working capital (mainly administrative expenses) of the Company, approximately HK$64 million (equivalent to RMB50 million) from the subscription was utilized to increase the capital of Rizhao Lanshan to further develop the terminal and logistics business.

The net price to the Company was approximately HK$0.355 per each subscription share.

The trading in the shares of the Company was halted on 25 January 2013 in relation to the subscription. The closing price of the Company's shares on 24 January 2013, the last trading date for the Company's shares prior to the entering into the subscription agreements, was HK$0.43 per share.

CHARGE OF ASSETS

As at 31 December 2014, the Group did not have any pledge of assets.

SIGNIFICANT INVESTMENTS

At 31 December 2014, the Group held available-for-sale investments and held for trading investments amounting to approximately HK$2.5 million and HK$88.5 million respectively. During the year, the Group recorded loss on partial disposal of an associate of approximately HK$14.9 million, loss on derecognition of an associate of approximately HK$26.9 million, increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK$10.7 million, decrease in fair value of held for trading investments of approximately HK$11.6 million and gain on disposal of held for trading investments of approximately HK$3.0 million.

At 31 December 2013, the Group held available-for-sale investments and interests in associates amounting to approximately HK$2.5 million and HK$76.3 million respectively. During that year, the Group recorded increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$2.5 million and gain on disposal of held for trading investments amounting to approximately HK$0.8 million.

FOREIGN EXCHANGE EXPOSURES

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2014 and 2013.

Management Discussion and Analysis

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2014 and 2013.

OUTLOOK

The management believes the year of 2015 will be a year full of challenges. Facing with the continuous slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials in China and abroad, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2015 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The management considers developing of other chemical projects at the appropriate time, such as methanol and other chemical raw materials, and wishes to open another promising business for the Group with its rich chemical industry experience and understanding of the market in China and abroad.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

EMPLOYEES AND REMUNERATION

As at 31 December 2014, the Group had approximately 40 (2013: 40) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2014, except for the following deviations:

1. **Code Provision A.6.7**

   The non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 11 June 2014 due to his other important commitments.

2. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive Directors to perform these duties.

3. **Code Provision E.1.2**

   The Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2014 due to his other important commitment.

Corporate Governance Report

THE BOARD OF DIRECTORS

The Board currently comprises five Executive Directors, one Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs"). The brief biographic details of and the relationship among Board members is set out in the Directors' Profiles section on pages 16 and 17. The Board has established three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the Board Meetings, the meetings of the Board Committees and the Annual General Meeting for the year ended 31 December 2014 is given below. The respective responsibilities of the Board and Board Committees are discussed later in this report.

	No. of meetings attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Wong Lik Ping	2/6		1/1	1/1	0/1
Yeung Sau Han Agnes	4/6				0/1
Chan Shui Sheung Ivy (retired on 11 June 2014)	3/3				0/1
Lai Ka Fai	6/6				1/1
Wang Liang (resigned on 31 December 2014)	5/6				1/1
Shi Chong (resigned on 6 March 2015)	6/6				0/1
Feng Gang	6/6				1/1
Tao Ke (appointed on 6 March 2015)	N/A				N/A
Non-Executive Director					
Cheng Kwok Woo	5/6				0/1
Independent Non-Executive Directors					
Lam Kwok Hing Wilfred (resigned on 31 December 2014)	6/6	2/2	1/1	1/1	1/1
Goh Choo Hwee	5/6	2/2	1/1	1/1	1/1
Ho Hin Yip	5/6	2/2	1/1	1/1	1/1
U Keng Tin	5/6				1/1

Ms. Chan Shui Sheung Ivy who retired on 11 June 2014 has attended six board meetings during the year 2013.

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

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of Board Committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Details of the Chairman, Mr. Wong Lik Ping, and Chief Executive Officer, Ms. Yeung Sau Han Agnes, are set out in the Directors' Profiles. The roles of the Chairman and the Chief Executive Officer were segregated throughout the financial year.

NON-EXECUTIVE DIRECTORS

The Board currently has one NED and three INEDs, one of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All NED and INEDs of the Company have been appointed for a specific term and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development activities by reading regulatory updates, and/or attending seminars/workshops relevant to the business/Directors' duties.

Corporate Governance Report

A record of training they received for the year ended 31 December 2014 was provided to the Company. The individual training record of each Director received for the year ended 31 December 2014 is set out below:

	Reading regulatory updates	Attending seminars/ workshops relevant to the business/ directors' duties
Executive Directors		
Wong Lik Ping	✓	✓
Yeung Sau Han Agnes	✓	✓
Chan Shui Sheung Ivy (retired on 11 June 2014)	✓	✓
Lai Ka Fai	✓	✓
Wang Liang (resigned on 31 December 2014)	✓	✓
Shi Chong (resigned on 6 March 2015)	✓	✓
Feng Gang	✓	✓
Tao Ke (appointed on 6 March 2015)	N/A	N/A
Non-Executive Director		
Cheng Kwok Woo	✓	✓
Independent Non-Executive Directors		
Lam Kwok Hing Wilfred (resigned on 31 December 2014)	✓	✓
Goh Choo Hwee	✓	✓
Ho Hin Yip	✓	✓
U Keng Tin	✓	✓

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the internal controls of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a Diversity of Board Members Policy and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit and the candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Nomination Committee will review the Policy as appropriate and recommend any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. For the year ended 31 December 2014, the Remuneration Committee comprises the Board's Chairman and three INEDs, namely Mr. Lam Kwok Hing Wilfred (resigned as member on 31 December 2014), Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Remuneration Committee is chaired by Mr. Ho Hin Yip.

During the year, one Remuneration Committee meeting was held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. For the year ended 31 December 2014, the Nomination Committee comprises the Board's Chairman and three INEDs, namely Mr. Lam Kwok Hing Wilfred (resigned as member on 31 December 2014), Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Nomination Committee is chaired by the Board's Chairman.

During the year, one Nomination Committee meeting was held to discuss appointment and re-election of Directors. In selecting and recommending candidates for directorship, the Committee will consider the experience, qualification and suitability of the candidates as well as Diversity of Board Members Policy. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

AUDIT COMMITTEE

For the year ended 31 December 2014, the Audit Committee comprises three INEDs, namely Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Audit Committee is chaired by Mr. Ho Hin Yip. Mr. Lam Kwok Hing Wilfred resigned as a member of the Audit Committee on 31 December 2014 and Mr. U Keng Tin was appointed as a member of the Audit committee on 31 December 2014.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal controls of the Group, and perform the corporate governance duties. During the year, two Audit Committee meetings were held to review the financial reporting matters and internal control procedures of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors. Following a specific enquiry, all Directors confirmed they have complied with the standards set out in the Model Code throughout the year ended 31 December 2014.

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility for preparing the financial statements of the Group. As at 31 December 2014, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

To ensure implementation of an effective and sound internal control system, an Internal Control Committee ("ICC") has been established. The major tasks of ICC are to review the effectiveness of the internal control systems of the Group and to make recommendations for improvement, especially in financial, operational, compliance controls and risk management.

For the year under review, the Board considered that the Group's internal control systems are adequate and effective and the Group has complied with the code provisions on internal control of the CG Code and Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the auditor of the Company only provided audit services to the Company and the Group.

The auditor's remuneration in relation to the audit services for the year amounted to HK$750,000.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 25 and 26.

COMPANY SECRETARIES

Mr. Li Chak Hung and Mr. Lai Ka Fai are the joint company secretaries of the Company. Both of Mr. Li and Mr. Lai report to Mr. Wong Lik Ping, the Chairman of the Board.

Mr. Li Chak Hung was appointed as company secretary of the Company on 13 March 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He undertook no less than 15 hours of relevant professional training during the year.

Mr. Lai Ka Fai was appointed as joint company secretary of the Company on 22 June 2010. He was then appointed as an executive director of the Company on 18 January 2012. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. He undertook no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's Articles of Association, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making Enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

Corporate Governance Report

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.pme8.com. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 31 March 2015

Directors' Profiles

DIRECTORS

Executive Directors

Mr. Wong Lik Ping, aged 54, is the Chairman of the Group. He joined the Group in August 2012 and is responsible for strategic planning, business development and Board issues of the Group. He is currently (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) and (ii) an executive director and chairman of Theme International Holdings Limited (stock code: 990), both companies listed on the Main Board of the Stock Exchange. Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in China. Mr. Wong is also a director of a joint venture of the Company in the PRC.

Ms. Yeung Sau Han Agnes, aged 49, is the Chief Executive Officer of the Group. She joined the Group in May 2007 and is responsible for the Group's overall operations and development. She graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in fashion design.

Mr. Lai Ka Fai, aged 46, joined the Group in June 2010 and is responsible for the corporate governance and port operation business of the Group. He holds a Bachelor degree in Laws from The Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws from The University of Hong Kong and a Master degree of Business Administration from the University of Leicester in the United Kingdom. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 10 years of experience in the legal field. He is also a director of a joint venture of the Company in the PRC and the joint company secretary of the Company.

Mr. Feng Gang, aged 40, has joined Rizhao Lanshan since October 2004 and was appointed as an executive director of the Company in November 2013. He is responsible for port operation business and new projects of the Group. He holds a Master of Business Administration degree from Nankai University, a Bachelor degree in Polymer Materials from Tianjin University and a Training Certificate in Finance graduate course from Peking University. Mr. Feng has over 10 years of experience in port management, international trading and corporate strategy consulting. He had worked in a well-known consulting company as corporate strategy consultant and a large SOE as international trading supervisor. Mr. Feng is currently a general manager and a director of Rizhao Lanshan.

Mr. Tao Ke, aged 32, was appointed as an executive director of the Company on 6 March 2015. Mr. Tao holds a Master of Social Science degree from University of Glasgow and a Bachelor degree in Economics from Beijing Institute of Technology. Mr. Tao has extensive experience in corporate finance and overseas merger and acquisition. He had been working in international investment banks and responsible for clients' project management, project acquisition and various initial public offerings. Mr. Tao is currently a general manager of a chemical production group in Shandong.

Non-Executive Director

Mr. Cheng Kwok Woo, aged 58, joined the Group in 1990 and acted as Chairman and an executive director of the Company since 2002 and was re-designated to a non-executive director since 9 August 2012. He has over 25 years of experience in the trading and manufacturing of abrasive products.

Directors' Profiles

Independent Non-executive Directors

Mr. Goh Choo Hwee, aged 44, was appointed as an independent non-executive director in January 2012. He has over 10 years of experience in PRC-related, corporate and securities practice. He is currently a partner at Ma Tang & Co, Solicitors, a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995. He has become a member of The Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997. He is also an independent non-executive director of Tsui Wah Holdings Limited (stock code: 1314) and Theme International Holdings Limited (stock code: 990), both companies listed on the Main Board of the Stock Exchange. He was appointed and remain as the company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of Stock Exchange, in December 2013.

Mr. Ho Hin Yip, aged 41, was appointed as an independent non-executive director in December 2012. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 17 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange.

Mr. U Keng Tin, aged 65, was appointed as an independent non-executive director in May 2013. He holds the Bachelor's degree of Arts from York University, Canada and Master's degree of Arts in International Economics from University of San Francisco, USA. He is presently a director of an estate management company, Full Fill Services Co., Limited and an executive director of a listed company in Singapore, Chinese Global Investors Group Limited. He has over 30 years of experience in the securities industry.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the activities of the principal subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and segment information for the year ended 31 December 2014 is set out in note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 27 and 28 of this annual report.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 106 of this annual report.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reasons therefore and up to the date of this report are set out in note 29 to the consolidated financial statements.

Report of the Directors

SHARE PREMIUM AND RESERVES

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2014, in the opinion of the directors, the Company's share premium and reserves available for distribution to shareholders amounted to HK$358,691,000.

Movement in the share premium and reserves of the Group during the year are set out on pages 31 and 32 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers taken together accounted for less than 30 per cent of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers taken together accounted for less than 30 per cent of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5 per cent of the Company's share capital) has any interest in the Group's five largest suppliers.

Report of the Directors

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 34 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2014 and up to the date of this report were:

Executive directors

Mr. Wong Lik Ping *(Chairman)*	
Ms. Yeung San Han Agnes *(Chief Executive Officer)*	
Mr. Lai Ka Fai	
Mr. Feng Gang	
Mr. Tao Ke	(appointed on 6 March 2015)
Ms. Chan Shui Sheung Ivy	(retired on 11 June 2014)
Mr. Wang Liang	(resigned on 31 December 2014)
Mr. Shi Chong	(resigned on 6 March 2015)

Non-executive director

Mr. Cheng Kwok Woo

Independent non-executive directors

Mr. Goh Choo Hwee	
Mr. Ho Hin Yip	
Mr. U Keng Tin	
Mr. Lam Kwok Hing Wilfred	(resigned on 31 December 2014)

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Wong Lik Ping, Ms. Yeung San Han Agnes and Mr. Ho Hin Yip shall retire from offices by rotation in the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Tao Ke shall retire from office in the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The biographic details of the existing directors are set out on pages 16 and 17 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Each of the NED/INEDs has entered into a letter of appointment with the Company in relation to his/her service as NED/INED of the Company for a fixed term.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interest in competing business to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long positions in the ordinary shares/underlying shares of the Company:

	Number of shares/underlying shares held			
Directors	**Personal interests**	**Corporate interests**	**Total interests**	**Percentage of interests**
Mr. Wong Lik Ping	466,000,000	1,455,000,000	1,921,000,000	16.12%
Ms. Yeung Sau Han Agnes	202,250,000	–	202,250,000	1.70%
Mr. Cheng Kwok Woo	8,000,000	–	8,000,000	0.07%

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on 23 October 2002 for the purposes to enable the Directors to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group. The share option scheme was terminated in 2012.

The movements of share options during the year ended 31 December 2014 are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1.1.2014	Granted during the year	Exercised/ Lapsed during the year	As at 31.12.2014
	HK$					
Mr. Cheng Kwok Woo	0.64	27.5.2010 – 26.5.2015	1,500,000	–	–	1,500,000
Ms. Yeung Sau Han Agnes	0.64	27.5.2010 – 26.5.2015	175,000,000	–	–	175,000,000
Other employee	0.64	27.5.2010 – 26.5.2015	1,500,000	–	–	1,500,000
			178,000,000	–	–	178,000,000

Save as disclosed above, at no time during the year ended 31 December 2014 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested (including short positions) in the shares or underlying shares of the Company:

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	*Notes*	**Number of Shares/underlying Shares held**	**Long (L) or Short (S) positions**	**Percentage holding**
Worldkin Development Limited		1,455,000,000	L	12.21%
Mr. Wong Lik Ping	*1*	1,921,000,000	L	16.12%
Funde Sino Life Insurance Co., Ltd.	*2*	3,574,430,000	L	29.99%
Profit Win International Limited		1,200,000,000	L	10.07%
Mr. Chen Hui	*3*	1,200,000,000	L	10.07%
Mr. Xu Yufeng		800,000,000	L	6.71%

Notes:

1. Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in 1,455,000,000 shares of the Company that Worldkin Development Limited has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

2. On 27 November 2014, Sino Life Insurance Co., Ltd. changed its company name to Funde Sino Life Insurance Co., Ltd..

3. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 1,200,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2014.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 8 to 15 of this annual report.

OTHER CHANGES OF DIRECTORS' INFORMATION

With effective from 1 September 2014, Mr. Cheng Kwok Woo's monthly remuneration has been increased to HK$88,150.

Ms. Yeung Sau Han Agnes resigned as an executive director of Chinese Strategic Holdings Limited (Stock Code: 8089) with effect on 8 January 2014.

Mr. Ho Hin Yip was appointed as an independent non-executive director of Xinhua News Media Holdings Limited (Stock Code: 309) with effect from 29 December 2014.

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the two years ended 31 December 2012 and 2013 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

The consolidated financial statements for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited ("HLB").

SHINEWING has resigned as auditor of the Company on 10 December 2014. HLB has been appointed as auditors of the Company to fill the casual vacancy following the resignation of SHINEWING for a term ending upon conclusion of the forthcoming AGM. A resolution to re-appoint HLB as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 31 March 2015

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

TO THE SHAREHOLDERS OF PME GROUP LIMITED
必美宜集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PME Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 105, which comprise the consolidated statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditors' 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 the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2014.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong
31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover	7	**138,309**	84,214
Revenue		**89,797**	80,297
Cost of sales		**(87,397)**	(83,634)
Gross profit (loss)		**2,400**	(3,337)
Other income and gain	9	**15,873**	6,243
Selling and distribution expenses		**(8,852)**	(4,316)
Administrative expenses		**(88,814)**	(53,949)
Gain on disposal of subsidiaries		**–**	1,760
Loss on partial disposal of an associate	18	**(14,852)**	–
Loss on derecognition of an associate	18	**(26,907)**	–
Increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss	22	**10,699**	2,529
Decrease in fair value of held for trading investments		**(11,626)**	–
Share of results of an associate		**6,082**	(2,233)
Share of results of joint ventures		**167,388**	175,251
Finance costs	10	**(839)**	(2,022)
Profit before taxation		**50,552**	119,926
Taxation	12	**(22,945)**	(11,419)
Profit for the year	13	**27,607**	108,507
Attributable to:			
Owners of the Company		**27,607**	108,507
Non-controlling interests		**–**	–
		27,607	108,507
		HK cents	HK cents
Earnings per share			
Basic and diluted	15	**0.23**	0.92

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year	**27,607**	108,507
Other comprehensive income (expenses)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(638)**	(175)
Share of other comprehensive income of an associate	**550**	1,524
Share of other comprehensive income of joint ventures	**1,404**	18,488
Other comprehensive income for the year (net of tax)	**1,316**	19,837
Total comprehensive income for the year	**28,923**	128,344
Total comprehensive income attributable to:		
Owners of the Company	**28,923**	128,344
Non-controlling interests	**–**	–
	28,923	128,344

Consolidated Statement of Financial Position

As at 31 December 2014

	NOTES	**2014** HK$'000	2013 HK$'000
Non-current assets			
Plant and equipment	16	**1,883**	1,674
Available-for-sale investments	17	**2,500**	2,500
Interests in associates	18	**–**	76,269
Interests in joint ventures	19	**874,583**	812,619
Club debentures		**350**	350
		879,316	893,412
Current assets			
Inventories	20	**8,778**	4,585
Trade receivables, other receivables, deposits and prepayments	21	**28,563**	41,489
Convertible bonds designated as financial assets at fair value through profit or loss	22	**45,228**	34,529
Amount due from a joint venture	34	**–**	317
Held for trading investments	23	**88,485**	–
Deposits placed with financial institutions	24	**7,051**	115
Bank balances and cash	24	**346,144**	394,069
		524,249	475,104
Current liabilities			
Trade and other payables and accruals	25	**93,044**	45,731
Amount due to an associate	34	**–**	32,000
Amount due to a joint venture	34	**75**	–
Taxation payable		**36,985**	37,391
Obligations under finance leases	26	**730**	542
Other loans	27	**–**	8,700
		130,834	124,364
Net current assets		**393,415**	350,740
Total assets less current liabilities		**1,272,731**	1,244,152

Consolidated Statement of Financial Position

As at 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	29	**119,192**	119,192
Reserves		**1,133,978**	1,105,055
Equity attributable to owners of the Company		**1,253,170**	1,224,247
Non-controlling interests		**845**	845
Total equity		**1,254,015**	1,225,092
Non-current liabilities			
Obligation under finance leases	26	**858**	749
Deferred tax liabilities	30	**17,858**	18,311
		18,716	19,060
		1,272,731	1,244,152

The consolidated financial statements on pages 27 to 105 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

WONG LIK PING
Director

YEUNG SAU HAN AGNES
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve *(Note a)*	Translation reserve	Share options reserve	Investment revaluation reserve	Other reserves *(Note b)*	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	94,042	1,070,966	(45,781)	22,019	63,700	530	1,452	25,599	(586,264)	646,263	845	647,108
Profit for the year	–	–	–	–	–	–	–	–	108,507	108,507	–	108,507
Other comprehensive (expense) income for the year												
Exchange differences on translating foreign operations	–	–	–	(175)	–	–	–	–	–	(175)	–	(175)
Share of other comprehensive income of joint ventures	–	–	–	18,488	–	–	–	–	–	18,488	–	18,488
Share of other comprehensive income of an associate	–	–	–	718	–	806	–	–	–	1,524	–	1,524
Total comprehensive income for the year	–	–	–	19,031	–	806	–	–	108,507	128,344	–	128,344
Lapse of warrants issued by an associate	–	–	–	–	–	–	(1,452)	–	1,452	–	–	–
Share of issue of warrants by an associate	–	–	–	–	–	–	134	–	–	134	–	134
Issue of shares upon placing of shares	10,000	345,000	–	–	–	–	–	–	–	355,000	–	355,000
Issue of shares upon conversion of convertible bonds *(Notes 28 and 29)*	15,150	104,955	–	–	–	–	–	(25,599)	–	94,506	–	94,506
At 31 December 2013	119,192	1,520,921	(45,781)	41,050	63,700	1,336	134	–	(476,305)	1,224,247	845	1,225,092

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	Special reserve *(Note a)* HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Other reserves *(Note b)* HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	119,192	1,520,921	(45,781)	41,050	63,700	1,336	134	–	(476,305)	1,224,247	845	1,225,092
Profit for the year	–	–	–	–	–	–	–	–	27,607	27,607	–	27,607
Other comprehensive (expense) income for the year												
Exchange differences on translating foreign operations	–	–	–	(638)	–	–	–	–	–	(638)	–	(638)
Share of other comprehensive income of joint ventures	–	–	–	1,404	–	–	–	–	–	1,404	–	1,404
Share of other comprehensive income of an associate	–	–	–	(132)	–	682	–	–	–	550	–	550
Derecognition of associates	–	–	–	(934)	–	(2,303)	(134)	–	3,371	–	–	–
Total comprehensive income for the year	–	–	–	(300)	–	(1,621)	(134)	–	30,978	28,923	–	28,923
At 31 December 2014	119,192	1,520,921	(45,781)	40,750	63,700	(285)	–	–	(445,327)	1,253,170	845	1,254,015

Notes:

(a) Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which was acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997.

(b) Other reserves represented the Group's share of capital reserve and warrant reserve of an associate.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**50,552**	119,926
Adjustments for:		
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	**(10,699)**	(2,529)
Change in fair value of held for trading investments	**11,626**	–
Depreciation of plant and equipment	**716**	1,867
Finance costs	**839**	2,022
Gain on disposal of subsidiaries	**–**	(1,760)
Interest income	**(6,784)**	(2,887)
Impairment loss on trade receivables	**–**	1,707
Reversal of impairment loss on trade receivable	**(3,294)**	–
Loss on partial disposal of an associate	**14,852**	–
Loss on derecognition of an associate	**26,907**	–
Reversal of impairment loss recognised on inventories	**(4,193)**	(1,897)
Realised gain for held for trading investments	**(3,030)**	–
Allowance for inventories	**–**	365
Share of results of joint ventures	**(167,388)**	(175,251)
Share of results of an associate	**(6,082)**	2,233
Net foreign exchange loss	**671**	–
Written off of plant and equipment	**–**	2,828
Operating cash flows before movements in working capital	**(95,307)**	(53,376)
Decrease in inventories	**–**	15,341
Decrease (increase) in trade receivables, other receivables, deposits and prepayments	**17,561**	(3,371)
(Increase) decrease in held for trading investments	**(124,793)**	3,163
(Increase) decrease in deposits placed with financial institutions	**(6,936)**	11
Increase in trade and other payables and accruals	**15,313**	7,544
Cash used in operations	**(194,162)**	(30,688)
Income tax paid	**(439)**	(2,761)
NET CASH USED IN OPERATING ACTIVITIES	**(194,601)**	(33,449)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Purchases of plant and equipment	**(34)**	(177)
Advance to a joint venture	**392**	(23)
Dividend from joint ventures	**146,536**	57,195
Investment in joint ventures	**(63,831)**	–
Net cash inflow from disposal of subsidiaries	**–**	6,254
Interest received	**5,443**	2,431
Proceeds from disposal of associates *(Note 18)*	**11,091**	1,875
Proceeds from held for trading investments	**48,512**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	**148,109**	67,555
FINANCING ACTIVITIES		
Proceeds from issue of shares upon placing, net off issuing expenses	**–**	355,000
Repayments of other loans	**–**	(3,103)
Repayment to an associate	**–**	(2,900)
Interest paid	**(744)**	(862)
Repayments of obligation under a finance lease	**(594)**	(419)
Finance lease charges paid	**(95)**	(64)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(1,433)**	347,652
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,925)**	381,758
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**394,069**	12,311
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**346,144**	394,069
Cash and cash equivalents at the end of the year, represented by:		
Bank balances and cash	**346,144**	394,069

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

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

The functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$ and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in manufacture and trading of polishing materials and equipment, trading of equity securities, investment in terminal and logistics services business and investment holding. The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in Note 36.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

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

For the purpose of preparing and presenting the consolidated financial statements, the Group has adopted the amended Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), and interpretations ("HK(IFRIC) – Int"), for the first time in this year, which are mandatorily effective for the accounting period beginning on 1 January 2014.

The application of the amended HKFRSs and interpretation in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective:

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2018

Other than HKFRS 15 disclosed below, the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the Group.

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

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

- 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong, in addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which 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 and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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 these characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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 and services.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. 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 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 this results in the non-controlling interests having a deficit balance.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combination

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

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

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

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

Rental income is recognised on a straight-line basis over the period of the relevant lease.

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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

An item of 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 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.

Intangible asset

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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 are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Cash and cash equivalents

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the change in fair value of convertible bonds designated at financial assets at FVTPL in the consolidated statement of profit or loss.

Convertible bonds

Convertible bonds acquired by the Group (including related embedded derivatives) are designated as financial assets at fair value through profit or loss on initial recognition. At the end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair values recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, deposits, amounts due from associates, amount due from a joint venture, deposits placed with financial institutions and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and accruals, convertible bonds, amount due to an associate, amount due to a joint venture, other loans and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds containing liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds containing liability and equity components (Continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Financial guarantee contracts

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

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

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Impairment losses on tangible assets and intangible asset

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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible asset (Continued)

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

Inventories

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

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in 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 exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interest as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 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.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related party transactions

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

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

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

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

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

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 accumulated profits or losses.

4. CRITICAL ACCOUNTING JUDGEMENTS 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 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting polices

Significant influence over Chinese Strategic Holdings Limited ("Chinese Strategic")

Note 18 describes that Chinese Strategic is an associate of the Group although the Group only owns 9.96% ownership interest in Chinese Strategic. The Group has significant influence over Chinese Strategic because two executive directors of the Company are also executive directors of Chinese Strategic.

During the year ended 31 December 2014, the Group had ceased to have significant influence in the board of directors of Chinese Strategic. Accordingly, the investment in Chinese Strategic is derecognized as held for trading investment at the end of reporting period.

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

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.

Estimated impairment loss on interests in associates

Determining whether interests in associates are impaired requires an estimation of the return and realisation of the interest in the associates in order to calculate the recoverable amounts. Where the estimated returns and proceeds from realisation are less than expected, a material impairment loss may arise. As at 31 December 2014 and 2013, the carrying amount of the interests in associates is $Nil and approximately HK$76,269,000 respectively. Impairment assessment had been carried out at the end of the reporting date on the associate in its entirety. In the opinion of the directors, no impairment loss was recognised as at 31 December 2014 and 2013.

Useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods. As at 31 December 2014, the carrying amount of plant and equipment is approximately HK$1,883,000 (net of accumulated depreciation of approximately HK$3,712,000) (2013: carrying amount of approximately HK$1,674,000, net of accumulated depreciation of approximately HK$3,100,000).

Estimated impairment loss on trade and other receivables

The Group makes impairment loss based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of the counterparties of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2014, the carrying amount of trade receivables is approximately HK$23,053,000 (net of accumulated impairment loss of approximately HK$1,133,000) (2013: carrying amount of approximately HK$35,936,000, net of accumulated impairment loss of approximately HK$9,339,000). As at 31 December 2014, the carrying amount of other receivables is approximately HK$5,510,000 (2013: HK$5,553,000).

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

Key sources of estimation uncertainty (Continued)

Estimated allowance for inventories

The Group makes allowance for inventories 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 judgement and estimates on the conditions and usefulness of the inventories. As at 31 December 2014, the carrying amount of inventories is approximately HK$8,778,000, net of accumulated allowance of approximately HK$9,983,000 (2013: carrying amount of approximately HK$4,585,000, net of accumulated allowance of approximately HK$11,405,000).

Estimated impairment loss on available-for-sale investments

In determining whether there is objective evidence of impairment in relation to the Group's available-for-sale investments in equity securities, the Group takes into consideration significant or prolonged decline in the market prices below the respective costs. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss. As at 31 December 2013 and 2014, the carrying amount of available-for-sale investments is approximately of HK$2,500,000. No impairment provision is considered necessary for the both years.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, 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 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. Notes 6 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes other loans, obligation under a finance lease, and convertible bonds disclosed in respective notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues and the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2014 HK$'000	31 December 2013 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**379,695**	435,550
Available-for-sale investments	**2,500**	2,500
FVTPL		
– Held for trading investments	**88,485**	–
– Financial assets designated at fair value through profit or loss	**45,228**	34,529
	515,908	472,579
Financial liabilities at amortised cost		
Other financial liabilities	**94,707**	87,722

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, convertible bonds designated as financial assets at fair value through profit or loss, amount due from a joint venture, and bank balances and cash, trade receivables, other receivables and deposits, trade and other payables and accruals, obligation under finance leases, convertible bonds, amount due to an associate and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (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, which are discussed below.

6. FINANCIAL INSTRUMENTS (Continued)

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

(i) Market risk

Currency risk

Several subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 39% (2013: 45%) of the Group's sales and approximately 18% (2013: 40%) of the Group's purchases are denominated in currencies other than the functional currency of the group entities. The Group also has bank balances, trade receivables and trade payables denominated in foreign currencies. Since the fluctuation of HK$ against United States dollar ("USD") are minimal under the Linked Exchange Rate System, the management consider the Group mainly expose to the currency of Euro, Japanese Yen and RMB.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

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

	2014	2013
	HK$'000	*HK$'000*
Assets		
USD	**138**	879
Japanese Yen	**1,862**	1,456
Euro	**2**	690
RMB	**6,889**	8,788
	8,891	11,813
Liabilities		
USD	**127**	94
Japanese Yen	**2,504**	3,761
Euro	**5,855**	2,292
RMB	**33**	4
	8,519	6,151

6. FINANCIAL INSTRUMENTS (Continued)

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

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in HK$ against relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% (2013: 5%) change in foreign currency rates. A positive number indicates increase in post-tax profit for the year when HK$ strengthens 5% (2013: 5%) against the relevant foreign currencies. For a 5% (2013: 5%) weakening of HK$ against the relevant currencies, there would be an equal but opposite impact on the profit for the year.

	2014	2013
	HK$'000	*HK$'000*
Japanese Yen	**71**	281
Euro	**18**	70

Fair value and cash flow interest rate risk

The Group has significant deposits placed with financial institutions, bank balances, other loans, obligation under finance leases and convertible bonds which bear interest rate risk. Deposits placed with financial institutions, bank balances and margin loans, at variable rates expose the Group to cash flow interest-rate risk. Certain other loans, obligation under finance leases and convertible bonds at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

Sensitivity analysis

At the end of the reporting period, assuming the variable rate deposits placed with financial institutions, bank balances and other loans had been outstanding for the whole year, if interest rates had increased by 200 basis points (2013: 200 basis points) and all other variables were held constant, there was a increase in post-tax profit by approximately HK$2,975,000 (2013: HK$1,861,000). If interest rates had decreased by 200 basis points (2013: 200 basis points), there would be an equal but opposite impact on the profit for the year. A 200 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS (Continued)

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

(i) Market risk (Continued)

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities. The Group has appointed a special team to monitor the price risk by diversifying the investment portfolio.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to other price risks at the reporting date. If the prices of the respective equity instruments had been 30% (2013: 30%) higher/lower:

– post-tax profit for the year ended 31 December 2014 would increase by approximately HK$26,546,000 (2013: post-tax profit would increase by approximately HK$3,264,000) or decrease by approximately HK$26,546,000 (2013: post-tax loss would decrease by approximately HK$263,000) as a result of the changes in fair value of held for trading investments and convertible bonds designated as financial assets at fair value through profit or loss; and

(ii) Credit risk

The Group's 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 addition, the Group reviews the recoverable amount of each individual trade debt at the end of each 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.

As at 31 December 2014, the Group had certain concentration of credit risk as 19% (2013: 19%) and 50% (2013: 43%) of the total trade receivables were due from the Group's largest and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 18% (2013: 19%) of the total trade receivables as at 31 December 2014.

However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and checking the financial background of these counterparties on a regular basis.

The credit risk for bank balances and deposits placed with financial institutions are considered minimal as such amounts are placed with banks and financial institutions with good credit ratings.

6. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. The Group relies on other loans, amount due to an associate, obligation under a finance lease and the issuance of convertible bonds as a significant source of liquidity. Details of the Group's obligation under finance leases, other loans, convertible bonds and amount due to an associate are set out in Notes 26, 27, 28 and 34 respectively. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. 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.

	Weighted average effective interest rate	Within 1 year	1-2 years	3-5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014						
Trade and other payables and accruals	–	**93,044**	–	–	**93,044**	**93,044**
Obligation under a finance lease	**4.08**	**779**	**330**	**574**	**1,683**	**1,588**
Amount due to a joint venture	–	**75**	–	–	**75**	**75**
		93,898	**330**	**574**	**94,802**	**94,707**
As at 31 December 2013						
Trade and other payables and accruals	–	45,731	–	–	45,731	45,731
Obligation under a finance lease	4.32	583	583	189	1,355	1,291
Amount due to an associate	–	32,000	–	–	32,000	32,000
Other loans	9.00	8,981	–	–	8,981	8,700
		87,295	583	189	88,067	87,722

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

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

Financial assets	Fair value as at 2014 *HK$'000*	Fair value as at 2013 *HK$'000*	Fair value hierarchy	Valuation technique and key inputs
Convertible bonds designated as financial assets at fair value through profit or loss	45,228	34,529	Level 2	Binomial Option Pricing Model Binomial Option Pricing Model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk-free rate, credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price
Held for trading investment	88,485	–	Level 1	Quoted bid prices in active market

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and 2 in both years.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Group's consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

7. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment, and gross proceeds from sales of held for trading investments during the year. An analysis of the Group's turnover for the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Sales of polishing materials and equipment	**89,797**	80,297
Gross proceeds from sales of held for trading investments	**48,512**	3,917
	138,309	84,214

8. SEGMENT INFORMATION

Information reported to the board of directors of the Company ("Board of Directors"), being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

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

Polishing materials and equipment	–	sales of polishing materials and equipment
Terminal and logistics services	–	loading and discharging services, storage services, and leasing of terminal facilities and equipment
Investment	–	investments in held for trading investments, convertible bonds, available-for-sale investments and associates

Information regarding the above segments is reported below.

8. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Revenue		Segment result	
	For the year ended 31 December			
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue				
Polishing materials and equipment	**89,797**	80,297	**(4,470)**	(19,338)
Terminal and logistics services	**–**	–	**146,047**	174,528
Investment	**–**	–	**(45,003)**	(16,162)
			96,574	139,028
Unallocated corporate expenses			**(49,778)**	(23,333)
Unallocated other income and gain			**4,500**	6,179
Unallocated finance costs			**(744)**	(1,948)
Profit before taxation			**50,552**	119,926

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) from each segment without allocation of certain other income, central administration costs, directors' salaries and certain finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 December 2014

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	44,971	1,021,687	153,617	1,220,275
Unallocated corporate assets				183,290
Consolidated total assets				1,403,565
LIABILITIES				
Segment liabilities	10,788	19,580	67,046	97,414
Unallocated corporate liabilities				52,136
Consolidated total liabilities				149,550

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

As at 31 December 2013

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	51,655	1,012,893	118,458	1,183,006
Unallocated corporate assets				185,510
Consolidated total assets				1,368,516
LIABILITIES				
Segment liabilities	12,286	–	41,803	54,089
Unallocated corporate liabilities				89,335
Consolidated total liabilities				143,424

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

- all assets are allocated to reporting segments other than certain other receivables, club debentures and bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables, convertible bonds, other loans, taxation payable and deferred tax liabilities.

8. SEGMENT INFORMATION (Continued)

Other segment information

As at 31 December 2014

	Polishing materials and equipment HK$'000	Terminal and logistics services HK$'000	Investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	1,014	–	–	–	1,014
Reversal of impairment loss recognised on inventories (included in cost of sales)	(4,193)	–	–	–	(4,193)
Allowance for inventories	–	–	–	–	–
Depreciation of plant and equipment	128	–	588	–	716
Interest on margin loans	–	–	–	–	–
Finance lease charges	95	–	–	–	95
Increase in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(10,699)	–	(10,699)
Gain on disposal of held for trading investments	–	–	(3,030)	–	(3,030)
Interest income from banks and financial institutions	–	(3,842)	–	(1)	(3,843)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(2,941)	–	(2,941)
Impairment loss on trade receivables	–	–	–	–	–
Reversal of impairment loss on trade receivable	(3,294)	–	–	–	(3,294)
Interests in joint ventures	10,405	864,178	–	–	874,583
Share of result of an associate	–	–	(6,082)	–	(6,082)
Share of results of joint ventures	(1,436)	(165,952)	–	–	(167,388)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Finance cost on other loans	–	–	–	744	744
Income tax expense	27	22,918	–	–	22,945

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

As at 31 December 2013

	Polishing materials and equipment HK$'000	Terminal and logistics services HK$'000	Investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	500	–	994	–	1,494
Reversal of impairment loss recognised on inventories (included in cost of sales)	(1,897)	–	–	–	(1,897)
Allowance for inventories	365	–	–	–	365
Depreciation of plant and equipment	1,739	–	128	–	1,867
Interest on margin loans	–	–	10	–	10
Finance lease charges	64	–	–	–	64
Increase in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(2,529)	–	(2,529)
Gain on disposal of held for trading investments	–	–	(754)	–	(754)
Interest income from banks and financial institutions	–	–	–	(1,817)	(1,817)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(1,070)	–	(1,070)
Impairment loss on trade receivables	1,707	–	–	–	1,707
Written off of plant and equipment	2,828	–	–	–	2,828
Interest in an associate	–	–	76,269	–	76,269
Interests in joint ventures	9,726	802,893	–	–	812,619
Share of result of an associate	–	–	2,233	–	2,233
Share of results of joint ventures	(723)	(174,528)	–	–	(175,251)
Gain on disposal of a subsidiary	–	–	–	(1,760)	(1,760)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Effective interest expenses on convertible bonds	–	–	–	1,096	1,096
Finance cost on other loans	–	–	–	852	852
Income tax expense	97	11,222	100	–	11,419

Note: Non-current assets excluded financial instruments.

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's polishing materials and equipment division is mainly located in Hong Kong (country of domicile) and the PRC. Terminal and logistics services division is located in the PRC. Investment division is located in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of customers:

	Revenue	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**33,581**	35,331
The PRC	**49,593**	31,316
Other Asian regions	**1,982**	6,744
North America and Europe	**510**	986
Other countries	**4,131**	5,920
	89,797	80,297

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2014	2013
	HK$'000	*HK$'000*
PRC	**874,583**	812,619
Hong Kong	**2,233**	78,293
	876,816	890,912

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

The Group did not have customer with whom transactions have exceeded 10% of the Group's aggregate revenue during 2014 and 2013.

9. OTHER INCOME AND GAIN

	2014 HK$'000	2013 HK$'000
Reversal of impairment loss on trade receivables	**3,294**	–
Interest income from banks and financial institutions	**3,843**	1,817
Gain on disposal of held for trading investment	**3,030**	754
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	**2,941**	1,070
Net foreign exchange gains	**675**	505
Rental income	**1,206**	1,842
Sundry income	**884**	255
	15,873	6,243

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interests on other loans wholly repayable within five years	**744**	852
Finance lease charges	**95**	64
Interest on margin loans	**–**	10
Effective interest expenses on convertible bonds	**–**	1,096
	839	2,022

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 2014

Name of director	Fees	Salaries and other benefits	Discretionary bonus *(Note vii)*	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping	–	6,000	8,000	17	14,017
Ms. Yeung Sau Han Agnes	–	260	100	13	373
Mr. Lai Ka Fai	–	1,300	3,600	17	4,917
Mr. Shi Chong	–	839	3,300	17	4,156
Mr. Feng Gang	–	960	3,650	17	4,627
Mr. Wang Liang *(Note i)*	–	1,250	3,500	34	4,784
Ms. Chan Shui Sheung Ivy *(Note ii)*	–	107	–	5	112
Non-executive Director					
Mr. Cheng Kwok Woo	–	1,041	144	52	1,237
Independent Non-executive Directors					
Mr. Goh Choo Hwee	180	–	100	–	280
Mr. Ho Hin Yip	180	–	100	–	280
Mr. U Keng Tin	180	–	100	–	280
Mr. Lam Kwok Hing Wilfred *(Note iii)*	180	–	–	–	180
Total for the year 2014	720	11,757	22,594	172	35,243

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2013

Name of director	Fees	Salaries and other benefits	Discretionary bonus *(Note vii)*	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping	–	1,000	200	3	1,203
Ms. Yeung Sau Han Agnes	–	260	100	13	373
Ms. Chan Shui Sheung Ivy	–	260	100	13	373
Mr. Lai Ka Fai	–	1,160	250	15	1,425
Mr. Wang Liang	–	700	200	18	918
Mr. Shi Chong	–	774	113	15	902
Mr. Feng Gang *(Note iv)*	–	160	200	3	363
Non-executive Director					
Mr. Cheng Kwok Woo	–	1,016	100	51	1,167
Independent Non-executive Directors					
Mr. Lam Kwok Hing Wilfred	180	–	50	–	230
Mr. Goh Choo Hwee	180	–	50	–	230
Mr. Ho Hin Yip	180	–	50	–	230
Mr. U Keng Tin *(Note v)*	116	–	50	–	166
Mr. Leung Yuen Wing *(Note vi)*	80	–	–	–	80
Total for the year 2013	736	5,330	1,463	131	7,660

Ms. Yeung Sau Han Agnes is also the chief executive of the Company and the emoluments disclosed above include those for services rendered by her as the chief executive.

No directors and chief executive waived or agreed to waive any emoluments in the two years ended 31 December 2014 and 2013.

Note i: *Mr. Wang Liang resigned as an executive director on 31 December 2014.*

Note ii: *Ms Chan Shui Sheung Ivy retired as an executive director on 11 June 2014.*

Note iii: *Mr. Lam Kwok Hing Wilfred resigned as an independent non-executive director on 31 December 2014.*

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Note iv: Mr. Feng Gang was appointed as an executive director on 1 November 2013.

Note v: Mr. U Keng Tin was appointed as an independent non-executive director on 10 May 2013.

Note vi: Mr. Leung Yuen Wing retired as an independent non-executive director on 11 June 2013.

Note vii: The discretionary bonus is based on operating appraisal results and basic salary of each director with reference to the appraisal grade and scores for the annual operating results of enterprise representative.

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2013: four) were directors of the Company whose emoluments are included in the disclosures in Note 11(A) above. The emolument of the remaining one highest paid individual in 2013 was as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	–	1,062
Retirement benefits scheme contributions	–	51
	–	1,113

The emoluments fell within the following bands:

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

During the two years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(B) EMPLOYEES' EMOLUMENTS (Continued)

The emoluments paid or payable to member of senior management (excluding the Directors as disclosed above) are within the following bands:

	Number of senior management	
	2014	2013
Nil to HK$1,000,000	**–**	–
HK$1,000,000 to HK$1,500,000	**–**	–
	–	–

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the highest paid individuals and senior management as an inducement to joining the Group or as compensation for loss of office.

12. TAXATION

	2014	2013
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	**27**	38
– PRC Enterprise Income Tax	**152**	100
– Withholding tax for dividend from PRC joint ventures *(Note 30)*	**23,219**	2,711
	23,398	2,849
Deferred taxation *(Note 30)*	**(453)**	8,570
	22,945	11,419

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 establishment is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. TAXATION (Continued)

The tax charge for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Profit before taxation	**50,552**	119,926
Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**8,341**	19,788
Tax effect of share of results of joint ventures	**(27,619)**	(28,916)
Tax effect of share of results of associates	**(1,004)**	368
Tax effect of expenses not deductible for tax purpose	**5,698**	1,531
Tax effect of income not taxable for tax purpose	**(1,409)**	(602)
Tax effect of tax loss not recognised	**16,172**	3,899
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	3,604
Tax effect of unrecognised deductible temporary difference	**–**	466
Tax effect of withholding tax at 10% on the distributable profits of the Group's PRC joint ventures	**22,766**	11,281
Tax charge for the year	**22,945**	11,419

The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

Details of deferred tax liabilities are shown in Note 30.

13. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**49,246**	19,148
Contributions to retirement benefits schemes	**630**	547
	49,876	19,695
Depreciation of plant and equipment	**716**	1,867
Auditors' remuneration	**750**	800
Impairment loss on trade receivables	**–**	1,707
Reversal of impairment loss recognised on inventories (included in cost of sales)	**(4,193)**	(1,897)
Reversal of impairment loss on trade receivables	**(3,294)**	–
Allowance for inventories (included in cost of sales)	**–**	365
Written off of plant and equipment	**–**	2,828
Cost of inventories recognised as expenses	**91,590**	85,166
Minimum lease payment in respect of rental premises	**2,986**	2,021

14. DIVIDEND

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

15. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**27,607**	108,507

Number of shares

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**11,919,198**	11,779,709

	2014	2013
Basic and diluted earnings per share (in HK cents)	**0.23**	0.92

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price per share for both 2014 and 2013.

16. PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Leasehold improvements, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
AT COST				
At 1 January 2013	10,982	10,788	3,089	24,859
Additions	156	21	1,317	1,494
Written off	(10,915)	(10,664)	–	(21,579)
At 31 December 2013 and 1 January 2014	223	145	4,406	4,774
Additions	17	17	891	925
Written off	–	(104)	–	(104)
At 31 December 2014	**240**	**58**	**5,297**	**5,595**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	7,047	10,665	2,272	19,984
Provided for the year	1,100	43	724	1,867
Eliminated on written off	(8,109)	(10,642)	–	(18,751)
At 31 December 2013 and 1 January 2014	38	66	2,996	3,100
Provided for the year	2	50	664	716
Eliminated on written off	–	(104)	–	(104)
At 31 December 2014	**40**	**12**	**3,660**	**3,712**
CARRYING AMOUNTS				
At 31 December 2014	**200**	**46**	**1,637**	**1,883**
At 31 December 2013	185	79	1,410	1,674

16. PLANT AND EQUIPMENT (Continued)

Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and machinery	10 years
Leasehold improvements, furniture and fixtures	3 to 5 years
Motor vehicles	3 to 8 years

The carrying amount of motor vehicles include amounts of HK$1,263,000 (2013: HK$643,000) in respect of assets held under finance leases.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
Unlisted equity securities (Note)	**2,500**	2,500

Note: The investment in unlisted equity securities is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Cost less accumulated impairment of investment in associates		
– Listed in Hong Kong	**148,843**	148,843
Share of post-acquisition results and other comprehensive income	**(66,492)**	(72,574)
	82,351	76,269
Disposal	**(25,943)**	–
Derecognition	**(56,408)**	–
	–	76,269
Fair value of listed investments	**–**	14,805

Chinese Strategic

The directors of the Company are of the opinion that the Group is able to exercise significant influence over the financing and operating policy decision of Chinese Strategic through the appointment of certain directors of the Company as directors of Chinese Strategic. The Group would be able to exercise significant influence with over 20% voting rights in the board of directors of Chinese Strategic throughout the year. Accordingly, the investment in Chinese Strategic is classified as an associate.

As at 31 December 2014, the Group held approximately 6.82% (2013: 9.96%) equity interests in Chinese Strategic, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

During the year ended 31 December 2014, the Group partially disposed of its interest in Chinese Strategic at a net consideration of approximately HK$11,091,000 and resulted in a loss of partial disposal of approximately HK$14,852,000.

As at 31 December 2014, the Group had ceased to have significant influence in the board of directors of Chinese Strategic. Accordingly, the investment in Chinese Strategic is derecognised as an associate and recognized as held for trading investment at the end of reporting period (note 23).

18. INTERESTS IN ASSOCIATES (Continued)

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

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of Shares held	Proposition of nominal value of issued capital and voting power held by the Group		Principal activities
					2014	2013	
Chinese Strategic	Incorporated	Bermuda	Hong Kong	Ordinary shares	–	9.96%	Investment holding

Summarised financial information of Chinese Strategic:

	2014	2013
	HK$'000	*HK$'000*
Current assets	**599,664**	431,819
Non-current assets	**462,677**	453,077
Current liabilities	**(174,286)**	(61,733)
Non-current liabilities	**(35,788)**	(32,525)
Non-controlling interests	**(25,255)**	(24,687)
Net assets	**827,012**	765,951
Turnover	**150,483**	94,078
Profit (loss) for the year	**55,542**	(22,415)
Other comprehensive income for the year	**5,519**	15,298
Total comprehensive income (expenses) for the year	**61,061**	(7,117)

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

	2014	2013
	HK$'000	*HK$'000*
Net assets	**827,012**	765,951
Proportion of the Group's ownership interest	**–**	76,269
Carrying amount of the Group's interest in Chinese Strategic	**–**	76,269

The associate is accounted for using the equity method in the consolidated financial statements.

19. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2014 HK$'000	2013 HK$'000
Deemed cost of investment in joint ventures		
Unlisted	**594,056**	594,056
Share of post-acquisition profits and other comprehensive income, net of dividends received	**280,527**	218,563
	874,583	812,619

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Nominal value of registered capital	Form of business structure and country of registration and operation	Proportion of nominal value of registered capital held by the Group 2014	2013	Group's percentage of voting power and profit sharing 2014	2013	Principal activity
Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") *(Note a)*	RMB10,000,000	Sino-foreign joint venture company PRC	**60%**	60%	**60%**	60%	Manufacturing and trading of polishing materials
Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") *(Note b)*	2014: RMB430,000,000 (2013: RMB330,000,000)	Sino-foreign joint venture company PRC	**50%**	50%	**50%**	50%	Loading and discharging services, storage services, leasing of terminal facilities and equipment

Notes:

(a) The Group holds 60% of the registered capital of Shanghai PME-XINHUA, and controls 60% of the voting power in the general meetings. However, under a shareholders' agreement, the major financing and operational decisions of Shanghai PME-XINHUA should be unanimously approved by the Group and another venturer. Therefore, Shanghai PME-XINHUA is regarded as a joint venture of the Group.

(b) The Group indirectly own 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a Sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC.

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014 HK$'000	2013 HK$'000
Rizhao Lanshan		
Current assets	**346,629**	388,236
Non-current assets	**2,029,392**	1,854,996
Current liabilities	**(306,456)**	(321,780)
Non-current liabilities	**(421,107)**	(395,564)
Net assets	**1,648,458**	1,525,888
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**197,152**	124,812
Current financial liabilities (excluding trade and other payables and provisions)	**(197,547)**	(149,297)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(367,573)**	(395,564)
Turnover	**1,045,955**	928,353
Profit for the year	**329,032**	349,056
Other comprehensive income for the year	**2,808**	37,198
Total comprehensive income for the year	**329,032**	386,254
Dividends paid by the joint venture during the year	**338,842**	112,836
The above profit for the year include the following:		
Depreciation and amortisation	**(81,095)**	(67,773)
Interest income	**1,314**	791
Interest expense	**(38,633)**	(1,841)
Income tax expense	**(33,043)**	(32,549)

19. INTERESTS IN JOINT VENTURES (Continued)

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

	2014 HK$'000	2013 HK$'000
Net assets	1,648,458	1,525,888
Proportion of the Group's ownership interest in Rizhao Lanshan	50%	50%
Proportion of the Group's ownership interest	824,229	762,944
Goodwill	39,949	39,949
Carrying amount of the Group's interest	864,178	802,893

Aggregate information of joint venture that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of post-tax profit	1,436	723
The Group's share of other comprehensive income	–	(111)
The Group's share of total comprehensive income	1,436	612
Carrying amount of the Group's interests in joint ventures	10,405	9,726

During the year ended 31 December 2014, 日照港(集團)嵐山港務有限公司, a fellow subsidiary of a partner of a joint venture of the Group, provided a guarantee towards the banking facilities of the Group for null consideration. The Group shared 50% of a maximum guarantee of HK$153,881,000 (2013: HK$153,881,000) towards the banking facilities of 日照港(集團)嵐山港務有限公司 for null consideration during the year ended 31 December 2014.

20. INVENTORIES

	2014 HK$'000	2013 HK$'000
Finished goods	8,778	4,585

During the year ended 31 December 2014, a reversal of impairment loss recognised on inventories of approximately HK$4,193,000 (2013: HK$1,897,000) had been recognised and included in cost of sales as the corresponding inventories were sold.

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 HK$'000	2013 HK$'000
Trade receivables	**24,186**	45,275
Less: impairment losses on trade receivables	**(1,133)**	(9,339)
Trade receivables, net of impairment loss	**23,053**	35,936
Other receivables, deposits and prepayments	**5,510**	5,553
	28,563	41,489

The Group does not hold any collateral over these balances.

The Group has a policy of allowing credit period of 0 to 90 days to its trade receivables. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The aging analysis of the trade receivables, net of impairment loss recognised based on the invoice date, which approximated the respective revenue recognition dates at the end of the reporting period was as follows.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**13,697**	25,868
31 to 60 days	**4,671**	9,662
61 to 90 days	**4,298**	241
Over 90 days	**387**	165
	23,053	35,936
Other receivables, deposits and prepayment	**5,510**	5,553
	28,563	41,489

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the trade receivables from the date on which credit was initially granted. Accordingly, the directors believe that there was no further credit provision required in excess of the accumulated impairment losses already provided for in the consolidated financial statements.

The Group's neither past due nor impaired trade receivables with aggregate carrying amount of approximately HK$22,666,000 (2013: HK$35,771,000) mainly represent sales made to creditworthy customers for whom there was no recent history of default.

Included in the Group's receivable balance are trade receivables with aggregate carrying amount of approximately HK$387,000 (2013: HK$165,000) which were past due at the end of the reporting period but are regarded as not impaired as there has not been a significant change in the credit standing of the trade receivables.

Aging of trade debtors which are past due but not impaired

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**387**	120
31 to 60 days	**–**	45
	387	165

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the accumulated impairment losses

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**9,339**	9,192
Impairment loss recognised in consolidated statement of profit or loss	**–**	1,707
Reversal of impairment loss during the year	**(3,294)**	–
Written off	**(4,912)**	(1,560)
Balance at end of the year	**1,133**	9,339

Included in the accumulated impairment losses were individually impaired receivables with an aggregate balance of HK$1,133,000 (2013: HK$9,339,000) which have either been in disputes with the Group or are in financial difficulties.

The trade receivables, other receivables, deposits and prepayments denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014 HK$'000	2013 HK$'000
USD	**138**	875
Japanese Yen	**1,862**	1,411
Euro	**–**	615
RMB	**6,154**	8,788

22. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	HK$'000	*HK$'000*
Convertible bonds designated as financial assets at fair value through profit or loss	**45,228**	34,529

On 1 March 2013, the Group subscribed a convertible bond amounted to HK$32,000,000 which is newly issued by China Fortune Financial Group Limited ("China Fortune CB") and used to settle the same amount due from China Fortune Financial Group Limited ("China Fortune"). China Fortune CB is a three-year 5% coupon rate convertible bonds with a principal amount of HK$32,000,000 issued by China Fortune. The convertible bond can be converted, in an amount of not less than HK$500,000, into new ordinary shares of China Fortune at any time within a period of three years following the date of issue at a conversion price of HK$0.1 per share. The Group shall not convert the bond if, upon such issue, the Group and the parties acting in concert with it, shall be interested in 30% or more of the then enlarged issued share capital of China Fortune at the date of the relevant conversion.

As at 31 December 2014, fair value of the China Fortune CB had been determined in accordance with a valuation report issued by Peak Vision Appraisals Limited, an independent valuer not connected to the Group, using the Binomial Option Pricing Model. A gain on fair value change of approximately HK$10,699,000 (2013: HK$2,529,000) was recognised in consolidated statement of profit or loss.

Binominal option pricing model is used for valuation for the convertible bonds designated at financial assets at fair value through profit or loss. The inputs into the model of the convertible bond as at 31 December 2014 were as follows:

China Fortune CB	
Stock price	HK$0.15
Conversion price	HK$0.1
Volatility	89.23%
Dividend yield	0%
Option life (years)	3
Risk free rate	0.28%

23. HELD FOR TRADING INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
Listed securities:		
Equity securities listed in Hong Kong, at fair value	**88,485**	–

24. DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

The deposits placed with financial institutions are for trading in securities. The deposits carry interest at market rates which range from 0.001% to 0.05% (2013: 0.001% to 0.05%) per annum.

Bank balances carry interest at market rates which range from 0.001% to 1.45% (2013: 0.001% to 0.50%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate:

	2014	2013
	HK$'000	*HK$'000*
RMB	**748**	–
USD	**116,958**	4
Japanese Yen	**431**	45
Euro	**3**	75

The Renminbi is not freely convertible into other currencies.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**4,496**	6,638
Other payables and accruals *(Note)*	**88,548**	39,093
	93,044	45,731

The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**2,683**	2,863
31 to 60 days	**1,439**	3,763
61 to 90 days	**314**	–
Over 90 days	**60**	12
	4,496	6,638
Other payables and accruals	**88,548**	39,093
	93,044	45,731

The credit period on purchases of goods ranged from 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The trade and other payables and accruals are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014	2013
	HK$'000	*HK$'000*
USD	**127**	94
Japanese Yen	**2,504**	3,761
Euro	**5,855**	2,292
RMB	**33**	4

26. OBLIGATION UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2014	2013
	HK$'000	*HK$'000*
Current liabilities	**730**	542
Non-current liabilities	**858**	749
	1,588	1,291

The average lease terms of the finance leases were five (2013: four) years. Interest rates are fixed at rates ranging from 3.54% to 4.34% (2013: 4.28% to 4.34%) per annum at the contract date. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under a finance leases:				
Within one year	**779**	583	**730**	542
In more than one year, but not more than two years	**330**	583	**302**	564
In more than two years, but not more than five years	**574**	189	**556**	185
	1,683	1,355	**1,588**	1,291
Less: future finance charges	**(95)**	(64)		
Present value of lease obligations	**1,588**	1,291		
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(730)**	(542)
Amount due for settlements after twelve months			**858**	749

At 31 December 2014 and 2013, the Group's obligation under a finance leases were secured by the lessor's charge over the plant and equipment (Note 16).

27. OTHER LOANS

	2014	2013
	HK$'000	*HK$'000*
Other loans	–	8,700
Analysed as:		
Unsecured	–	8,700

The exposure of the Group's loans is as follows:

	2014	2013
	HK$'000	*HK$'000*
Fixed-rate loans	–	8,700

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

	2014 and 2013
Effective interest rate	
Fixed-rate loans	9%

As at 31 December 2013, other loans were not secured.

28. CONVERTIBLE BONDS

(a) On 1 February 2010, the Company issued convertible bonds ("CB1") with principal amount of HK$60,000,000 as partial settlement of the consideration for the acquisition of 49% equity interest in Giant Billion.

CB1 would be due on 1 February 2013 and carries interest at 3% per annum payable annually in arrears with the first interest payment falling due twelve months from the date of issue and thereafter on the last day of each successive yearly period. CB1 entitles the holder to convert the bonds, in an amount not less than HK$500,000, into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.20 per share during the period commencing from the date of issue and ending on the date that falls on the fifth day immediately before the maturity date. Unless previously converted, all CB1 outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding in HK$.

CB1 contains two components, liability and equity elements. The equity element is presented in equity headed "convertible bonds reserve". The effective interest rate of the liability component is 13.36% per annum.

The movement of the liability component of CB1 for the year is set out below:

	HK$'000
At 1 January 2013	59,534
Interest charged	432
Conversion during the year	(58,966)
Reclassified to other payables	(1,000)
At 31 December 2013 and 2014	–

During the year ended 31 December 2013, the holders of CB1 have exercised the conversion right to convert an aggregate principal amount of HK$59,000,000 of the convertible bonds into a total 295,000,000 ordinary shares. The principal amount outstanding after the conversion was HK$1,000,000 which is included in other payables which is set out in note 25.

28. CONVERTIBLE BONDS (Continued)

(b) On 27 May 2010, the Company issued zero coupon convertible bonds ("CB2") with a principal amount of HK$264,000,000 due on 27 May 2013 for the Company's general working capital. Details of CB2 are set out in the Company's announcements dated 11 January 2010, 7 April 2010 and 21 April 2010 and the circular dated 26 April 2010.

CB2 entitles the holder to convert the bonds, in multiples of HK$1,200,000, into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.03 per share during the period commencing from the 90th day after the date of issue and ending on the date that falls on the fifth day immediately before the maturity date. The holder shall not convert and the Company shall not issue any conversion shares if, upon such issue, (a) the holder and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the Securities and Futures Commission as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion, (b)(i) each of any of the shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the holder and the parties acting in concert with it will hold 20% or more of the voting rights of the Company respectively; or (c) the public float of the Company falls below 25% of the issued share capital of the Company. Unless previously converted or redeemed, the Company (i) may at any time after 12 months from the date of issue, the Company may redeem all or part of CB2 at a redemption amount equal to 100% of the principal amount; and (ii) shall redeem the CB2 at its principal amount on maturity date.

CB2 contains two components, liability and equity elements. The equity element is presented in equity headed "convertible bonds reserve". The effective interest rate of the liability component is 12.87% per annum.

The movement of the liability component of CB2 for the year is set out below:

	HK$'000
At 1 January 2013	34,876
Interest charged	664
Conversion during the year	(35,540)
At 31 December 2013 and 2014	–

During the year ended 31 December 2013, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$36,600,000 of the convertible bonds into a total 1,220,000,000 ordinary shares. There was no outstanding CB2 as at 31 December 2013.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each		Share capital	
	2014	2013	**2014**	2013
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of year	**40,000,000**	15,000,000	**400,000**	150,000
Increased	**–**	25,000,000	**–**	250,000
At end of year	**40,000,000**	40,000,000	**–**	400,000
Issued and fully paid:				
At beginning of year	**11,919,198**	9,404,198	**119,192**	94,042
Issue of shares upon conversion of convertible bonds *(Note i)*	**–**	1,515,000	**–**	15,150
Issue of shares upon placing of shares *(Note ii)*	**–**	1,000,000	**–**	10,000
At end of year	**11,919,198**	11,919,198	**119,192**	119,192

Note i:

During the year ended 31 December 2013, the holders of the convertible bonds have exercised the conversion right to convert an aggregate principal amount of HK$95,600,000 of the convertible bonds into a total of 1,515,000,000 ordinary shares.

Note ii:

During the year ended 31 December 2013, the Company entered into the subscription agreements with the two subscribers in relation to the subscription of a total of 1,000,000,000 new shares in the share capital of the Company at HK$0.355 per subscription share.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Withholding tax on undistributed profits of joint ventures in the PRC *HK$'000*
At 1 January 2013	9,741
Charge to consolidated statement of profit or loss for the year *(Note 12)*	11,281
Reallocated to current tax *(Note 12)*	(2,711)
At 31 December 2013 and 1 January 2014	18,311
Charge to consolidated statement of profit or loss for the year *(Note 12)*	22,766
Reallocated to current tax *(Note 12)*	(23,219)
At 31 December 2014	17,858

Under the EIT Law of PRC, withholding tax imposed on dividend declared in respect of profits earned by PRC joint ventures from 1 January 2008 onwards.

Withholding tax has been provided at 10% on the distributable profits of the Group's PRC joint ventures and included in deferred taxation.

As at 31 December 2014, the Group had deductible temporary differences of approximately HK$6,568,000 (2013: HK$6,568,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

As at 31 December 2014, the Group had unused tax losses of approximately HK$353,656,000 (2013: HK$325,805,000) available for offset against future profits. No deferred tax asset is recognised due to the unpredictability of future profit stream. The unused tax losses may be carried forward indefinitely.

31. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme adopted on 23 October 2002, the board of directors of the Company may, at its discretion, grant options to full-time employees (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

The maximum number of shares which may be in issue upon exercise of options granted and yet to be exercised under the share option scheme and any other scheme of the Company shall not exceed 30% of the total issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted (included both exercised and outstanding options) in any 12 months period up to the date of grant to each eligible person shall not exceed 1% of the total issued share capital of the Company in issue, unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant eligible person and its associates abstain from the voting on the resolution.

A nominal consideration of HK$1 is payable on acceptance of each grant.

The following table discloses the movements of the Company's share options granted during the year ended 31 December 2014 and 2013:

Name of participant	Date of grant	Exercisable period	Exercisable price HK$	Number of share options outstanding at 1/1/2012, 1/1/2013 and 31/12/2013
Directors				
Yeung Sau Han Agnes	27.5.2010	27.5.2010 to 26.5.2015	0.64	175,000,000
Cheng Kwok Woo	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000
Other employee	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000
				178,000,000
Weighted average exercise price				HK$0.64

No share-based payment expense was recognised during the year ended 31 December 2014 and 2013. The share option scheme was terminated in 2012.

32. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$1,206,000 (2013: HK$1,842,000).

At 31 December 2014, the Group has contracted with tenants to sub-lease a leased premise for future minimum lease payments as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	–	1,189

The Group as lessee

At 31 December 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,445**	1,861
In the second to fifth year inclusive	**1,299**	1,093
	3,744	2,954

Leases were negotiated for a term of two months to fifty-six months with fixed rentals over the term of the lease.

33. RETIREMENT BENEFITS SCHEMES

The operating subsidiaries in Hong Kong joined the mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at rates specified in the rules of the MPF Scheme. The obligation of the Group with respect of MPF Scheme is to make the required contribution under the MPF Scheme. The retirement benefits cost charged to the consolidated statement of profit or loss represent contributions payable to the MPF Scheme by the Group.

The PRC employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC local government. The subsidiary is required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

During the year, the Group made retirement benefits scheme contributions of approximately HK$630,000 (2013: HK$547,000).

34. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) The Group had the following transactions with its associates, joint ventures, partner of joint ventures during the year:

	2014	2013
	HK$'000	*HK$'000*
Joint ventures		
Sales of polishing materials	**4,854**	2,161
Purchase of polishing materials	**150**	89
Fellow subsidiaries of a partner of a joint venture		
Service charges paid	**229,322**	83,444
Leasing income	**79,492**	26,409
Construction fee paid	**–**	74,576
Related Company in which a director have beneficial interest		
Subcontracting fee paid	**2,768**	5,729
Decoration expenses	**–**	423

(b) Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balance with related entity at year end are as follows:

	2014	2013
	HK$'000	*HK$'000*
Associates		
Amount due to an associate *(Note)*	**–**	32,000
Joint Ventures		
Amount due (to)/from a joint venture *(Note)*	**(75)**	317

Note: The amount due (to)/from a joint venture and amount due to an associate were unsecured, interest free and repayable on demand.

(c) The remuneration of directors and key management personnel during the year are set out in Note 11. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, as detailed in note 22, other receivables of HK$32,000,000 was used to subscribe for a convertible bond with a principal amount of HK$32,000,000.

During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$891,000 (2013: HK$1,317,000).

During the year ended 31 December 2013, the holders of convertible bonds have exercised the conversion right to convert an aggregate principal amount of HK$95,600,000 of the convertible bonds into a total of 1,515,000,000 ordinary shares respectively.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2014 and 2013 were as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital *(note a)*	Proportion of nominal value of issued capital and voting power held by the Company 2014	2013	Principal activities
Indirectly held by the Company					
Fook Cheong Ho International Limited	Hong Kong	5% non-voting deferred shares HK$300,000 *(note b)* Ordinary shares HK$1,000,000	**100%**	100%	Trading of polishing materials and equipment
PME International Company Limited	Hong Kong	5% non-voting deferred shares HK$19,200,000 *(note c)* Ordinary shares HK$100,000	**100%**	100%	Investment holding and trading of polishing materials and equipment
Able Winner International Limited	Hong Kong	Ordinary shares HK$1	**100%**	100%	Investment holding
Sunbright Asia Limited	British Virgin Islands ("BVI")	Ordinary shares US$1,000	**100%**	100%	Investment holding
One Express Group Limited	BVI	Ordinary shares US$1,000	**100%**	100%	Investment holding
Betterment Enterprises Limited	BVI	Ordinary shares US$10,000	**99.49%**	99.49%	Investment holding
Upmove International Limited ("Upmove")	Hong Kong	Ordinary share HK$1	**100%**	100%	Investment holding
Elegant Basic Investments Limited	BVI	Ordinary shares US$100	**100%**	100%	Investment

Note: The Company does not have any individual company with material non-controlling interest as at 31 December 2014 and 2013.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) All principal subsidiaries operate principally in Hong Kong.

(b) The 5% non-voting deferred shares of HK$1 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining asset of the companies only after the distribution of HK$1,000,000 million, as specified in the articles of association, to holders of ordinary shares.

(c) The 5% non-voting deferred shares of HK$10 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2014 and 2013 or at any time during the year.

As at 31 December 2014 and 2013, the Group's subsidiaries do not have any material non-controlling interests.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2014 HK$'000	31/12/2013 HK$'000
Non-current assets		
Investment in subsidiaries	**112,248**	112,253
Current assets		
Other receivables, deposits and prepayments	**1,091**	1,091
Amounts due from subsidiaries *(note a)*	**635,014**	694,577
Bank balances and cash	**111**	806
	636,216	696,474
Current liabilities		
Other payables and accruals	**26,135**	22,933
Amount due to subsidiaries *(note a)*	**244,446**	280,663
	270,581	303,596
Net current assets	**365,635**	392,878
Total assets less current liabilities	**477,883**	505,131
Capital and reserves		
Share capital	**119,192**	119,192
Reserves *(note b)*	**358,691**	385,939
Total equity	**477,883**	505,131

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

Notes:

(a) Amount due from/to subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. The fair values of the amounts at the end of the reporting period approximated to the corresponding carrying amounts due to their short-term maturities.

(b) Reserves

	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	1,070,966	63,700	25,599	(1,112,149)	48,116
Loss for the year	–	–	–	(86,533)	(86,533)
Issue of shares upon placing of shares	345,000	–	–	–	345,000
Issue of shares upon conversion of convertible bonds	104,955	–	(25,599)	–	79,356
At 31 December 2013 and at 1 January 2014	1,520,921	63,700	–	(1,198,682)	385,939
Loss for the year	–	–	–	(27,248)	(27,248)
At 31 December 2014	**1,520,921**	**63,700**	**–**	**(1,225,930)**	**358,691**

Financial Summary

RESULTS

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)		(Restated)		
Turnover	205,508	266,890	105,367	84,214	**138,309**
Revenue	174,079	265,683	79,740	80,297	**89,797**
Profit/(loss) before taxation	(88,919)	(420,477)	6,300	119,926	**50,552**
Taxation	(4,591)	(12,112)	(8,728)	(11,419)	**(22,945)**
Profit/(loss) for the year	(93,510)	(432,589)	(2,428)	108,507	**27,607**
Profit/(loss) for the year attributable to:					
– Owners of the Company	(93,655)	(432,451)	(2,426)	108,507	**27,607**
– Non-controlling interests	145	(138)	(2)	–	**–**
	(93,510)	(432,589)	(2,428)	108,507	**27,607**

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)		(Restated)		
Total assets	1,232,511	855,787	874,544	1,368,516	**1,403,565**
Total liabilities	(352,028)	(336,523)	(227,436)	(143,424)	**(149,550)**
	880,483	519,264	647,108	1,225,092	**1,254,015**
Equity attributable to owners of the Company	879,370	518,289	646,263	1,224,247	**1,253,170**
Non-controlling interests	1,113	975	845	845	**845**
	880,483	519,264	647,108	1,225,092	**1,254,015**