ANNUAL REPORT 2014 年報

大同機械企業有限公司

COSMOS MACHINERY ENTERPRISES LIMITED

Stock Code 股份代號: 118

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CORPORATE INFORMATION

CHAIRMAN EMERITUS
Tang Kwan

DIRECTORS
Executive Directors

Tang To *(Chairman)*
Jiang Wei (resigned on 11th July 2014)
Wong Yiu Ming *(Executive Vice Chairman)*
(appointed on 15th January 2015
as Executive Vice Chairman)
Tang Yu, Freeman

Non-Executive Directors

Wu Ding *(Vice Chairman)* (resigned on 12th May 2014)
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors

Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

Audit Committee

Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem

Remuneration Committee

Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To

Committee of Executive Directors

Tang To
Jiang Wei (resigned on 11th July 2014)
Wong Yiu Ming
Tang Yu, Freeman

Nomination Committee

Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To
Tang Yu, Freeman

CHIEF EXECUTIVE OFFICER
Tang Yu, Freeman

JOINT COMPANY SECRETARIES
Ho Kwong Sang *FCCA CPA FCS FCIS*
Mak Po Man *FCCA CPA*

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PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
The Hongkong & Shanghai
Banking Corporation Limited
China Citic Bank International Limited
DBS Bank (Hong Kong) Limited

SOLICITORS
Woo, Kwan, Lee & Lo

AUDITORS
Ting Ho Kwan & Chan

SHARE REGISTRAR
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Wanchai
Hong Kong

LISTING INFORMATION
The Stock Exchange of Hong Kong Limited
Stock Code: 118

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2014.

RESULTS

The Group's consolidated turnover was about HK$2,492,729,000 in the financial year, up by about 1% from approximately HK$2,465,110,000 of 2013. After tax loss for the year was about HK$7,934,000, compared with after tax profit of about HK$123,025,000 of the prior year. For the year ended 31st December 2014, loss attributable to shareholders was about HK$33,301,000 while profit attributable to shareholders of the corresponding period of the prior year was approximately HK$108,390,000.

CHAIRMAN'S STATEMENT

• *DONGHUA 1600JSe Servo-Driven Energy Saving Two-Platen Plastic Injection Moulding Machine*

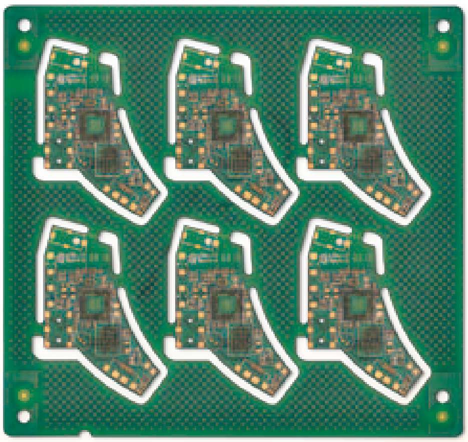
2014 has been a year of challenges and difficulties for the Group. In terms of macro-economics, divergence was seen in the global economy. While the US economy has gradually recovered from crisis, the economies in European countries remain stagnant. Chinese economy saw a reasonable growth, yet the rate of growth was not as pleasing as compared with the previous year. Small and Medium Enterprises in mainland China continued to face difficulties in financing. Thus, customers remained conservative in the addition of equipment and allocation of resources. In face of the adverse business environment, the Group's consolidated turnover has seen a slight increase of approximately 1% compared to last year. Without substantial provision to be made, the comprehensive operating profit for the year was HK$7,123,000, with an improvement over last year's operating loss of HK$84,128,000. Without the extraordinary revenue from the disposal of associates like last year, loss for the year attributable to the shareholder was approximately HK$33,301,000.

During the year under review, the Group has been striving for breakthroughs amid challenges through performing adjustment and strategic planning on different aspects of its various businesses. Under an array of unfavourable economic factors, the turnover of the machinery manufacturing business decreased significantly as compared with last year and continued to experience a loss. It has been the Group's persistent business direction to maintain sustainable long term development. Therefore, the Group has maintained its input in the research and development of manufacturing machinery. Energy-saving, precision and stability in products continued to be the theme of Research and Development. Enhanced improvements were made on products such as the Ge-Plus series all-electric high precision injection moulding machines, Se series CNC Servo-driven Hydraulic press machine, and ESD series all-electric Servo-driven CNC brake presses. During the year, this business has been granted 4 new invention patents, successfully applied 3 invention patents and 8 patents on inventions made in the prior financial year were granted with further patent rights. This business seeked to address the keen market competition with pioneering products. At the end of the year, the business commenced its machinery rental service, to ease financial stress of the customers, and improve its competitiveness with supreme financing service. The business will continue with its efficacy reform and adjustment in strategic plan since last year and expect an improvement in results in the coming year.

CHAIRMAN'S STATEMENT

Facing a continuous surge in labour cost, the plastic processing and products business continued to record an operating loss. The business of home appliances and audio-visual products processing in Dongguan has transformed due to the shift in audio-visual product market. To adapt to the changes, the business planned to develop business of plastic moulding and processing of small home appliance. These changes in strategic plan helps the business to broaden its customer base. In the production base in Hefei, orders for home appliances have been relatively stable during the year. With investment in new plants, machinery and equipment, along with revised human resources framework, the business achieved contribution to profit for the year. Due to changes in customers, the professional food packaging business located in Zhuhai recorded a decrease in turnover and sustained a loss for the year. As regard to its development in new products, the team actively developed folding seal cap for milk powder containers for the clients, and won recognition in the industry. In the coming year, the business will transform from injection moulding processing to provision of professional packaging solutions and products in order to retain its competitiveness in the product. While there was difficulty to achieve a breakthrough in its business scale, the optic and lighting products business continued to sustain a loss. The business is subject to readjustment in the coming year. Additionally, foreseeing an unclear prospect in the market of environmental-friendly utensils, the Group has decided to terminate the Biochef environmental-friendly utensils project in the coming year.

Despite unfavourable market conditions, the trading business displayed excellent performance. In addition to the successful development of business segments in areas with competitive advantages such as elevators and robotic arms, the business team also developed a number of agent products and provided service packages integrated with product and technical support, with an aim to enhance customer satisfaction and maintain the Company's profit. In a rapidly changing market with rapidly-evolving products, the business will continue its stringent control on inventory level and trade receivables to in order to achieve a sound financial position.



• 6 layers HDI board (2 steps)

During the year under review, the printed circuit board business has not only explored new markets actively and expanded its customer base, the business also fine-tuned its production flow, and allocated extra resources in highly value-added products. Such move has helped in bringing more orders which resulted in profit growth. At the end of 2013, the business acquired a Japanese circuit board trading company, and funded and progressively developed the acquired business afterwards. With unexpectedly smooth progress, this business resumed its sales growth, and reversed the operational loss to a profit. The results of the acquired business has been included in the printed circuit board business this year, which boosted the results of the overall business in the year under review. It is expected that the synergy between the production and trading will bring even better results to this business.

CHAIRMAN'S STATEMENT

PROSPECT

The sluggish and uncertain global economy as well as the devaluation of currencies, other than US dollars, around the world have brought stiff challenges to various manufacturing businesses of the Group. With the downward pressure on the economy and the continuous surge of labour cost, it is expected that market competition will heighten. The new generation of China's leadership, who has been in office for more than a year, has promulgated a number of new regulations with respect to the allocation of income, labour ordinance, adjustment in industry structure and environmental protection, which will influence the business environment and the Group. The board and the management will monitor closely and respond with appropriate strategies.

Nevertheless, I believe the Board, the Management and the staff will work together and face the challenge, search for breakthrough and endure the difficulties with an aim to create better results for the Group.

I would like to extend my heartfelt appreciation for the hard work from the management and all employees. Their diligence, vigor and practicality in confronting challenges, successfully helped the Group maintain its strong foundation in the past year of grave challenges. I would like to sincerely thank the directors for their support and contribution to the Group, and the customers and business partners, for their support and cooperation.

On behalf of the Board
TANG To
Chairman

Hong Kong, 30th March, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year 2014, global business revival was far from being balanced. The U.S. economy basically got rid of the influence of financial crisis, and the U.S. Federal Reserve System backed out of its quantitative easing policy. While Europe and Japan, on the other hand, took further steps to intensify monetary easing, their economies were still in a slump. As one of the global economic pillars, China saw weak performance in last year's manufacturing and trade segments and a downward spiral of real estate prices, compared to several years ago. Although industrial production still operated within a reasonable range, overall capital investment continued to slow. These did have influence on the Group's overall business, and the various business segments saw differing performances in the year.

Manufacturing operations

Machinery

This year's machinery business recorded approximately HK$826,732,000 revenue, which was 15% down from last year's figures, and contributed 33% to Group consolidated revenue. The business recorded an operating loss of HK$22,960,000.

During the review period, China's economic growth saw a slowdown this year, and mainland factories reduced or delayed machinery and equipment procurement. The economic performances overseas varied. Although the American economic growth was taking a turn for the better, Europe's and Japan's performances were still weak, and manufacturers' capital expenditures were rigorously controlled. Under the influence of such unfavorable environment, this business segment of ours suffered a loss. However, faced with such difficult operating environment, this business segment team continued to uphold its proactive and progressive attitude. Under the guiding strategy of "returning to basics to rebuild our strength", we took various effective measures, including the reorganization of the corporation's organizational structure, the re-deployment of management, sales, and manufacturing staff, and streamlining. In order to better cater to the needs of high-end and specialized equipment customers, various optimization projects were launched for product design, function, and component configuration for various machineries, especially high-end and specialized equipment.

Regarding plastic injection molding machines, the high-end Ge-Plus series of all-electric plastic injection molding machines was released in the market, stimulating good market response, and was widely accepted by customers of the medical, electronic and other high value-added industries. Its precision, stability, energy saving, and other features were in line with the needs for "lean" in modern manufacturing industries. However, the impact of devaluation of foreign currencies, especially the Japanese Yen, led to a de facto price reduction of plastic injection molding machines with Japan as the country of origin, and competition became ferocious. The Group had to plan to push for cost optimization and configuration changes to enhance competitiveness. The Group and Japan's UBE Machinery Industries, Ltd. have been strategic partners for over 12 years, and a

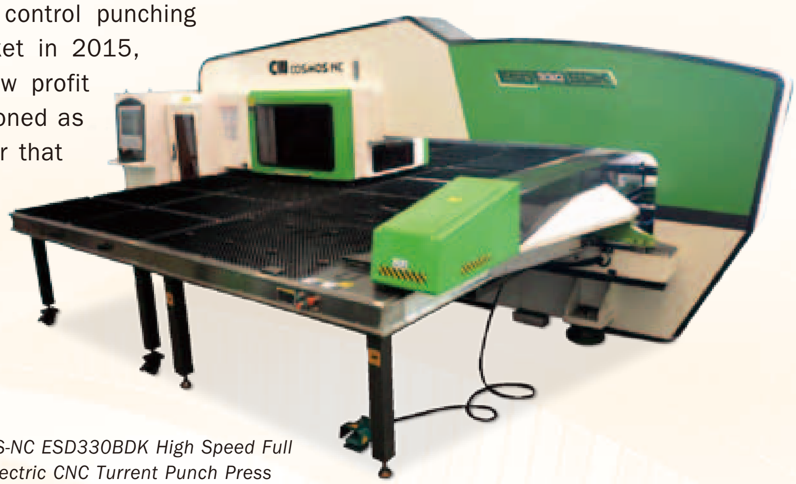
• *WELLTEC 205Ge Electric-Plus Plastic Injection Moulding Machine*

MANAGEMENT DISCUSSION AND ANALYSIS

higher level of cooperation was achieved last year, where both parties implemented the technology transfer of medium to large scale all-electric plastic injection molding machines. Henceforth the Group will apply Japan's sophisticated key technology and mechanical design for these machines. These advanced models are expected to help long-term development of this business in the high-end automotive fitting industry, and are expected to be released in the market in the second quarter of 2015. The newly developed third generation large two-platen machines were successfully released in the market, and received recognition from extensive customer groups. Innovations of this machine's mechanical structure effectively and significantly enhanced its mold clamping precision. As its design plan was aimed at unique customer demands, it was able to provide ideal production efficiency and performance to customers of various industries. Future emphasis will be on the increase of market penetration, and the establishment of a group of high-end customers to be labeled as benchmark customers. Overall business positioning of plastic injection molding machines will aim at the medium and high-end plastic manufacturing industries to design "industry-specific machine series", each catering for the unique requirements of a particular industry, so as to reduce dependence on standard machine models to improve gross profit margin.

Regarding hydraulic press machines, the energy saving, precision and mute effects of CNC servo drive Se series hydraulic press machines received extensive customer recognition, in which energy saving compared to comparable regular models enjoyed a 30% to 50% advantage. These models were further equipped with automatic feeding and reclaimer devices so as to achieve the effect of automated production, to achieve effective lowering of operational costs, and to enhance the quality of finished products, all of which were aimed at satisfying medium and high-end customer requirements. Major customer industries in this area included gold jewelry and auto spare parts. Other markets for these models, such as telecommunication and household appliances, are being developed.

Regarding CNC punching machines, the newly developed ESD series all-electric servo CNC punching machines was released in the market last year. Compared to comparable existing models, they were 30% more energy efficient, and work efficiency was enhanced by 20%. Since the series' release in the market in 2014, and having undergone incessant improvements since then, its performance was approaching perfection, and will in the coming year be the flagship product. Owing to the market demand for bending machines in the sheet-metal market is great, we will focus on performance and quality enhancement projects in order to give impetus to sales increase. Due to the continual rise of labor cost in the sheet metal industry, improvement of production efficiency and lowering of labor cost were becoming imperative needs. Therefore, towards the end of the year, this business completed development of the peripheral automation equipment, the "automatic sheet loading and unloading device", for numerical control punching machines, which will be released in the market in 2015, with the potential of becoming an area of new profit growth. In addition, this business will be positioned as a full range automated equipment manufacturer that provides customized automation solutions for varying sheet metal customers, changing the present condition of homogenization of many manufacturers' products, and blazing a new trail of development that best suit our own characteristics.



COSMOS-NC ESD330BDK High Speed Full Servo-Electric CNC Turrent Punch Press

MANAGEMENT DISCUSSION AND ANALYSIS

For rubber injection moulding machine and extrusion machine, overall market performance of this year was good. These two products also supported the needs of change in national developmental policy and the overall market, specialized and large models of which were aimed at providing and developing solutions needed by the customer. Problems in such areas as future market development, industry transformation and upgrading, and human resources will have to find solution in automation to solve such problems in manufacturing as labor intensiveness, higher product output efficiency, enhanced product quality, and improvement of customer competitiveness. On the rubber injection moulding machine front, regular machines are mainly medium and small models, while large ones are meant to provide solution for customer needs. For current market development, the focus will be on the industries of electric power generation, auto spare parts and high speed trains, seal fittings, and food packaging. Furthermore, increased investments will be made in the high-end market of this business segment, and product scope will be based on the concepts of professionalism and automation. The target is to enhance customer production efficiency, and the focus is on high-end specialized industries. Regarding extrusion machines, service targets were mainly in the infrastructure industries, including fuel gas pipelines, suction pipes and drains. The multi-layer co-extrusion single tube machine was especially developed to satisfy special needs of the customer – a specialized equipment, and a solution, which won the China Machinery Industry Federation Industrial Science and Technology Award, as well as the invention patent. This specialized machine utilizes a unique confluence technology, allowing the composite layer to be more precise and stable, the advantages of which are improved product performance and durability, the possibility of substituting metal pipes, and cost optimization. This will be a new trend in the piping industry.

• *DEKUMA High Throughput Parallel Twin-Screw Extruder for PVC*

Plastic Products and Processing

During the period under review, sales to the plastic products and processing recorded a 3% drop compared to the previous year. Sales revenue was HK$381,458,000 which was 16% of the Group's overall sales revenue. Recorded operating loss was HK$23,472,000.

• *Water Resistance Small Speaker*

MANAGEMENT DISCUSSION AND ANALYSIS

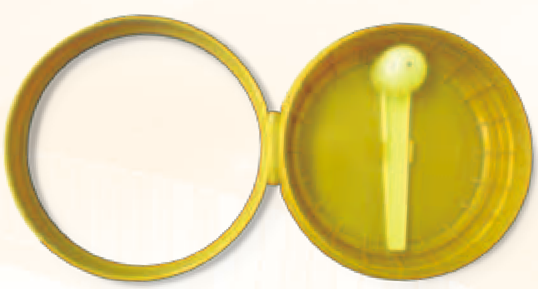
• Mini-LED reading lamp (blue)

• Mini-LED reading lamp (pink)

Volume of sales to the business of home appliance, A/V product and plastic part processing in Dongguan was significantly down from the previous year. An operating loss was again recorded this year, but showed improvement compared to the previous year. Within the year, main brands of the audio and video business were undergoing mergers and restructuring, which directly affected development and product sales, while their products were at the stage of transformation and integration, and were being replaced by internet players and wireless speakers. This dealt a heavy blow to our sales to this market. Faced with these difficulties, this business team was unrelenting, and placed emphasis on production cost control and focused on operational cash flow, and thus allowed this business' operation to remain sound. During the second half of the year, the team also attempted to bring in the small household electric appliance injection molding processing business so as to expand customer base, and increase sales and profit.

For Hefei production base sales volume and net profit within the year recorded reasonable growth compared to the previous year. After three years of efforts in its cultivation, this business rose above the survival phase and entered into the developmental phase. On the operation management front, this business team laid down four policies; namely, management informatization, technology standardization, production automation, and product optimization. These significantly improved overall operation management, and enhanced efficiency. Regarding production facilities, the phase 2 of the simple factory buildings was completed; inventory warehouse and assembly lines moved into the new factory buildings. Furthermore, over ten robotic arms, several assembly lines and spray lines were added, enhancing production automation level and production efficiency, and hence increasing production volume. Regarding human resources, efforts were put into the building of a talent team, the implementation of staff retaining policy, the selection of new recruits, the simplification of departmental organization and communication channels, and the cultivation of a corporate culture, all for the purpose of stabilizing and energizing the business team.

For the specialised food packaging and cutlery business in Zhuhai, its business volume showed a significant decline compared to the previous year, and recorded an operating loss. Main reason was the abrupt decline of orders from candy bar customers, directly leading to such decline. Fortunately a folding seal cap was developed for powder milk this year, and this product received the recognition of many major brand powder milk suppliers, who placed orders for the product, leading to satisfactory growth in this year's cap product sales, and compensating for part of the decline in candy bar sales orders. Furthermore on the food safety management front, this business unit successfully passed the global food safety standards of the British Retail Consortium (BRC). Regarding production equipment, to satisfy hygienic requirements of powder milk and ice-cream packaging products, optimization programs were launched this year against product safety and hygiene in injection molding, assembly and extrusion workshops; a number of automation equipment was added, including robotic arms and automatic feeders to enhance productivity. On the human resources front, to enhance front line employee morale and professional technical capabilities, a series of training programs was conducted this year; training contents mainly included production techniques, communication skills and management concepts. With active employee participation, benefits of the training were manifested in daily work.



• Folding Seal Cap for Milk Power Container

MANAGEMENT DISCUSSION AND ANALYSIS

• Aspheric Handheld Magnifier

For optic and lighting business, the business volume of this year decreased, while loss increased, compared to the previous year. Europe's economic recession and customers' inventory reduction policy led to a decrease in sales orders, while U.S. orders also decreased because one of the U.S. customers withdrew from the sales channels of large chain stores. However, Japan's demand for optical products, such as the magnifying glass, for the elderly population continued to rise, and led to an increase in sales orders. To cope with the needs of the elderly for related products, an effort was made to develop a series of transparent magnifying glass and foldable reading glasses; some of the products were successfully developed with design and quality meeting customers' requirements.

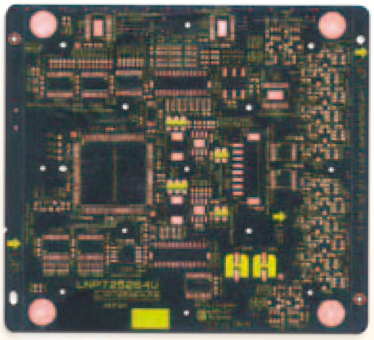
The business operation of the eco-friendly kitchenware-Biochef will be terminated next year due to uncertain business prospects.

Printed circuit board (PCB)

The PCB business this year recorded a business volume of HK$856,609,000, which was up 25% compared to last year, contributing 34% to the Group's overall business volume, and an operating profit of HK$58,958,000.

Performance of this business was good. Although depressed market overall performance of the previous year continued to affect this year's performance, and keen competition brought pressure to bear on its operation, there was a breakthrough in sales, thanks to the efforts of this business team. According to business plan this year, the sales team will maintain market share in Japan, while further developing the European market. In addition, an effective sales strategy adjustment was made in the domestic market, mitigating the influence brought about by the instability of sales orders from different regions, and successfully achieving this year's sales targets. On production management skills, investments in automation equipment continued, effectively enhancing production efficiency and reducing labor costs. Furthermore, rigorous management of production processes was reinforced, to save energy and to reduce emission, to enhance product quality and to secure customer confidence.

The PCB Trade Business overall operational performance this year was good. Work on maintaining stability of existing customer groups was successful. In the market's selection of suppliers, this business unit was once again listed as supplier for key development. The sales team launched an all new sales strategy this year, successfully developing several new customers. All these played an important role in the Company's continual healthy development.



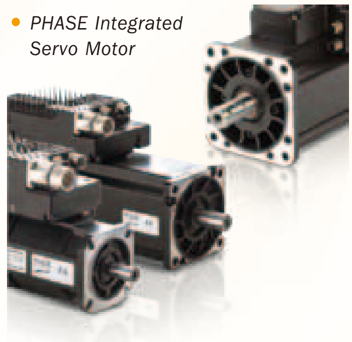
• 6 layers HDI board

MANAGEMENT DISCUSSION AND ANALYSIS

Trading Business

Industrial consumables

The business volume of the trading business in the year under review was HK$415,602,000, up 2% compared to the previous year, and contributing 17% to the Group's overall business volume. Operating profit was HK$25,683,000.



• *PHASE Integrated Servo Motor*

The year's overall business environment was still unsatisfactory. The noticeable slowdown of the domestic economic growth took its toll on the majority of industries, especially on machinery manufacturing operations. The trade group has always had its eye on the domestic market, and, therefore, was in grave difficulties. The business team this year adopted the bundling sales strategy for the elevator industry, and successfully increased sales volume. Successful promotion of new products, such as high speed steel wire, pre-galvanized steel wire, specialized control on plastic injection molding, and plastic fasteners helped the Trade Business group to maintain performance under such sluggish market conditions. Concurrently this group continually reduced inventory of low turnover rates and rigorously maintained receivables at a reasonable level, and thus, maintained a healthy financial situation.

• *COSMOS- Press Special Hydraulic Press for Auto Steering System*

Business prospects

Regarding the machinery business, operating environments in the coming year will continue to be difficult and pose a serious challenge. Despite this grim situation, this business group will uphold its consistent guiding strategy, and plans to concentrate resources to fortify basic elements. On product and service, product quality will be actively controlled to reinforce stability. Focus will be on medium and high-end products to cater to customer needs. Regarding the market, this business group will proactively investigate the needs of customer industries, and gain an understanding of competitors' plans, actions, and tendencies, using these to optimize the functions and designs of specialized equipment for the customer. On management system and process, high efficiency and quick response management processes will be established to reinforce management capabilities to respond to emergency situations. On cost control, a comprehensive cost review and control program will be implemented from the various perspectives of design, supply chain, machining, production efficiency, rejected items, and sales. On sales strategy, technical sales will be the main thrust, selling solutions to customer problems, and reinforcing after-sales services. There are also plans to establish a sales incentive system, to conduct accentuated training for technical sales personnel, and to expand the sales network. Business management staff has the confidence that, through insistence of implementing the five basic elements, this business unit will show good performance in the year to come.

Regarding the Dongguan's household electric appliance, audio and video product, and plastic processing markets, it is expected that the audio and video product market will continue to shrink and will have adverse effects on the sales of these products. Despite this, in the second half of the year this business team successfully brought in the small household appliance plastic injection business, of which the team expects continual development to compensate for the decline in sales in the audio and video market. The team will also concentrate on continual enhancement of human resources levels, and replacing mechanical equipment configurations to improve small household appliance quality, so as to increase sales and to gradually improve overall gross profit levels.

• *Mini-Vacuum Cleaner*

MANAGEMENT DISCUSSION AND ANALYSIS

Hefei Production Base will persist in its four policies in operational management in the coming year, so as to enhance efficiencies in operation and production, and hence, to lower costs. Regarding sales, the primary target is to stabilize sales orders. The sales team will strive to optimize customer mix by developing new customers so as to gradually lower significance of large customers' share in contribution to overall sales. The team will strive to reinforce contacts and communication with existing customers to increase sales, and to cultivate new customers. Regarding production facilities, it is planned in the coming year to invest in robotic arms and injection molding machines, to build a new automated production line for injection molding machines, and to appropriately invest in mold service equipment.

Regarding the specialised food packaging and cutlery business in Zhuhai, it is expected the food packaging industry in China will continue to flourish, and the main concern will be packaging safety and hygiene, especially in baby foods. It is expected that this business in the coming year will concentrate on optimization of design and production engineering of folding cap seals for powder milk to satisfy its higher hygienic requirements. Regarding sales, it is planned to promote folding cap seals for powder milk to domestic and overseas main brand powder milk suppliers, to develop the domestic market of candy bars, and to promote in-mold labelling products to ice-cream suppliers.

• *Accessories for Milk Power Container*

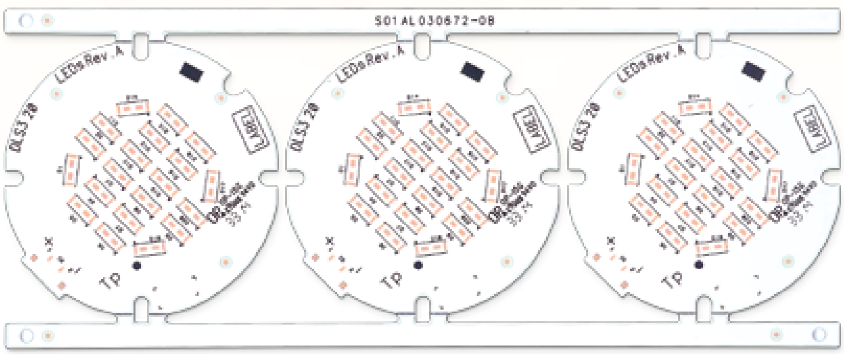
Regarding the optic and lighting business, the issue of an aging population affects not only Japan; it is a global issue. Elderly people today place heavy emphasis on the quality of life, and their requirements for quality of daily essentials are becoming higher. This business will persist in its core value, reinforce product development, and supply ever better quality products to OEM and ODM customers. On sales promotion, the main thrust will be in seeking new business opportunities in the U.S. market through participation in large scale exhibitions. Mobile phone software will be used for product promotion, and reinforcement of communication with customers.

• *Foldable Presbyopic Glasses*

MANAGEMENT DISCUSSION AND ANALYSIS

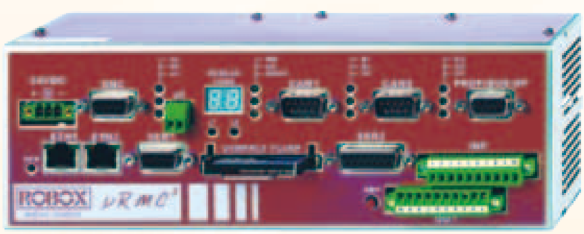
On the printed circuit board business, for geopolitical reasons and their influence, it is expected that Japanese enterprises will gradually reduce investment in China, and sales orders from existing Japanese customers will be affected to varying degrees. Therefore, there will be corresponding measures in sales strategy. This business plans to fully capitalize on the resources of the trading companies in Japan and its mature market to actively brave new worlds. Regarding the European and the Chinese markets, there will be reinforced development in the automotive and environmental fields. Furthermore, an operation mode of balanced development for overseas and domestic markets will be adopted to achieve the target of increased sales. Product mix will also be optimized; single-sided production line of lower added value will be eliminated by selection, a fully automatic green paint spray line will be brought in, and drilling and milling equipment will be added with the aim of enhancing product quality, and, at the same time, adding new profit growth.

Regarding the PCB Trade Business, the business team will continue to rely on the support of the PCB industry to provide better service to the customer, and to open up new markets. At the same time cooperation of the sales teams of Japan, Hong Kong, China and Vietnam will be reinforced to gradually strengthen our market position in the PCB Trade field.



• *Aluminium PCB*

Looking forward in the year ahead, the U.S. economy is expected to continue its revival, and our overseas market condition will gradually improve. The Chinese economy may be slowing down, but its GDP should maintain growth at the rate of 7% per annum. This colossal market is still full of business opportunities, although the implementation of political and economic reforms will have some short term effects. The year 2015 is the last year in the 12th Five Year Plan; our trade business groups will continue to focus on environmental protection and energy saving, factory upgrading, and automation requirements in their implementation of established business development plans. It is expected that the domestic economy will continue to be a global leader, but competition will be more ferocious by the day. We will focus on the industries with competitive advantages, such as the elevator, robotic arm, communications product, and LED packaging and sealing machine industries, and adopt a bundling sales strategy with integrated product sets, wherever possible, for existing customer groups to increase sales volume. We will be both on the offensive and the defensive in our quest to continually promote new products and develop new markets to maintain our competitive advantage, and to generate greater profit. We expect we will achieve the target of business expansion in the coming year, despite the sluggish market conditions.



• *ROBOX Robot Controller*

In 2015 divergence of the monetary policies of the various nations is expected to continue. This will bring influence of varying degrees to the global economy. China has lowered its Deposit Reserve Rate at the beginning of 2015 to ease credit terms, and has also slightly decreased the interest rate, and it is expected that the Chinese Government will use interest rate adjustments to stimulate real economic growth. However, it is expected that China's GDP growth will continue to slow. Therefore, 2015 will still be a challenging and difficult year. Although we are faced with adverse economic conditions, this Group plans to overcome these challenges and difficulties with an aggressive, practical, and cautious attitude, to continue to reinforce our core business, to seize opportunities to develop new markets, and to restructure our resources to maintain financial health and stability. The management looks at the prospects of the various business segments with confidence, and anticipates good performance in the coming year.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang To, aged 66, Chairman and Executive Director of the Company, has served on the Board since the listing of the Company in 1988 and was appointed as Chairman and Executive Director of the Company in September, 1997. Mr. Tang is responsible for the overall policy making and significant investments of the Group. Mr. Tang has over 41 years of experience in manufacturing and trading businesses in Hong Kong and the PRC. Mr. Tang is the father of Mr. Tang Yu, Freeman, the Chief Executive Officer and Executive Director of the Company and is a director of certain companies which are members of the Group and related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tang is a director of Suzhou Sanguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24th January, 2014.

Mr. Wong Yiu Ming, aged 61, Executive Vice Chairman and Executive Director of the Company, has 37 years of experience in sales, marketing and corporate management, is currently responsible for the overall strategic planning and management of the plastic products and processing business of the Group and is a director of some subsidiaries of the Group. Mr. Wong joined the Group in 1978 and was appointed as the General Manager of the Company on 1st February, 1999 and had been re-designated as the Chief Executive Officer of the Company on 12th September, 2005 until 30th June, 2013. On 15th January 2015, Mr. Wong was appointed as the Executive Vice Chairman of the Company. He holds a Bachelor of Science degree in Engineering and a Master degree in Business Administration. Mr. Wong is a director of Suzhou Sanguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24th January, 2014.

Mr. Tang Yu, Freeman, aged 37, the Chief Executive Officer and Executive Director of the Company. He joined the Group in 2006 and was appointed as the Chief Executive Officer on 1st July 2013. He is responsible for the strategic planning and general management of the Group. He is the son of Mr. Tang To, the Chairman and Executive Director of the Board and is also a director of a company which is related to certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to joining the Group, he worked in commercial banking division and as an associate investment advisor in banks of Hong Kong from 2001 to 2006. Mr. Tang graduated from the University of Western Ontario (Canada) and holds a Bachelor of Arts degree in Economics and holds a Diploma in Financial Planning.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Kan Wai Wah, aged 57, Non-Executive Director of the Company, is the Managing Director of Super Harvest Consultancy Limited. He has over 33 years of experience in the management of catering operations. Mr. Kan holds a Higher Diploma in Accountancy. He joined the Company in May, 1998. Mr. Kan is the son of Ms. Law Kit Fong, a substantial shareholder of the Company. Mr. Kan is a Director of certain companies which are related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Qu Jinping, aged 58, Non-Executive Director of the Company, was granted a Bachelor's degree in Engineering in 1982 by South China Institute of Technology (currently South China University of Technology), a Master's degree in Engineering in 1987 by South China University of Technology and a Doctoral degree in Engineering in 1999 by Sichuan University and was promoted to professor in 1992. He was recognized as a tutor of doctoral candidates in macromolecular material processing and light industry machinery in 1996. Since 1998, he has been serving as the chief officer of the National Engineering Research Center of Novel Equipment for Polymer Processing in South China University of Technology. He was the Vice President of South China University of Technology from December 1998 to November 2007. In March 1999, he was appointed as the special-term professor in Material Processing of the South China University of Technology by the Ministry of Education of the People's Republic of China under the Changjiang Scholars Award Program. He also served as the chief officer of the Key Laboratory of Polymer Processing Engineering of the Ministry of Education of the People's Republic of China in South China University of Technology since 2000. He was awarded a Member of the Chinese Academy of Engineering in 2011. He is concurrently a standing council member of Chinese Material Research Society, council member of Plastic Processing Association of China, council member of China Plastic Machine Association, Deputy Chairman of China Altered-Properties Plastics Association, academic committee member of State Key Laboratory of Macromolecular Materials, Chairman of Guangdong Mechanical Engineering Institute, Deputy Chairman of Guangdong Material Research Society, council member of Guangdong Inventor Association, Deputy Chief Editor of certain publications namely the World Plastics and Plastics Machinery, member of editorial committee of the Journal of South China University of Technology, the China Plastics, the Plastic Industry, the Plastics, the Engineering Plastics Application. Mr. Qu was appointed as Non-Executive Director of the Company on 8th September, 2006.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yeung Shuk Fan, aged 49, Independent Non-Executive Director of the Company, has over 25 years of experience in the finance sector and holds a Master degree in Business Administration. She is a member of the American Institute of Certified Public Accountants and an associate of The Institute of Chartered Secretaries and Administrators. During the past 20 years, Ms. Yeung has served as financial controller and financial manager of various private groups of companies. She was appointed as Independent Non-Executive Director of the Company with effect from June 2004.

Mr. Cheng Tak Yin, aged 76, Independent Non-Executive Director of the Company, has over 43 years of experience in business management. Currently, he is the Vice-Chairman and Director of Hong Kong and Kowloon Machinery and Instrument Merchants Association Limited. He was appointed as Independent Non-Executive Director of the Company with effect from 30th January, 2007.

Mr. Ho Wei Sem, aged 67, Independent Non-Executive Director of the Company. Mr. Ho has been working in various government institutions in Dongguan during the past 41 years and has extensive experience in management. He was the director-general of Dongguan City Municipal and Public Utilities Management Bureau (東莞市市政公用事業管理局) and Dongguan City Urban Integrated Management Bureau (東莞市城市綜合管理局) from 2000 to August, 2007 before his retirement. During the period from 1996 to 2000, he was the officer of Dongguan City Management Committee (東莞市城市管理委員會). From 1990 to 1996, he was the deputy chief of Dongguan City Urban and Rural Construction Planning Bureau (東莞市城鄉建設規劃局), and was the deputy supervisor of the Preparation Committee of Dongguan City Government (東莞市城區政府籌備組) during the period from 1988 to 1990. He was appointed as Independent Non-Executive Director of the Company with effect from 21st December 2010.

Mr. Huang Zhi Wei, aged 75, Independent Non-Executive Director of the Company, is currently the Executive Vice President of Guangdong General Chamber of Commerce. Mr. Huang has spent over ten years in economic-related government sectors in China. He served as the Deputy Director General of Guangdong Department of Foreign Trade & Economic Cooperation and the Director of General of Guangdong Board of Investment from 1993 to 2000 respectively. He also served as the Executive Officer of Foshan Economic Committee from 1984 to 1992. Prior to this, he worked as an engineer in Foshan Power Plant for almost 10 years and served as the Chief Engineer and Deputy General Manager of Foshan Household Electrical Appliances Corporation from 1981 to 1984. Mr. Huang graduated from the Central China University of Science and Engineering, majored in electric engineering. He is at present an Independent Non-Executive Director of Lerado Group (Holding) Company Limited, a company listed on the Stock Exchange of Hong Kong Limited. He is also an Independent Director of Keda Industrial Co., Ltd., a company listed on The Shanghai Stock Exchange. He was appointed as Independent Non-Executive Director of the Company with effect from 2nd November 2012.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ho Kwong Sang, aged 59, joined the Group in 1981, is the Chief Financial Officer of the Group. He is responsible for the financial management of the Group. Mr. Ho is an accountancy graduate of the Hong Kong Polytechnic University and holds a Master of Arts degree in Management. Professionally, he is a Certified Public Accountant (Hong Kong), Fellow Chartered and Certified Accountant (United Kingdom), Certified Tax Adviser (Hong Kong) and Fellow Chartered Secretary (United Kingdom and Hong Kong). He is also qualified as a Certified Insurance Professional and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr. Yip Kar Shun, aged 68, has over 35 years of experience in electronic production and management. He joined the Group in 1994. Mr. Yip is the Managing Director of the subsidiaries which are engaged in the manufacture of printed circuit boards.

Mr. Man Wai Hong Bernard, aged 52, joined the Group in 2000. He has 28 years of experience in manufacturing, marketing and general administrative management. He graduated from the Hong Kong Polytechnic University in Electrical Engineering. He also holds a Diploma in Computer Programming, a Diploma in Management Studies and a Master degree in Business Administration. He is currently the General Manager of a subsidiary of the Group which is engaged in the trading of industrial consumables and machinery components.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 45 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated income statement on page 54 of the annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2014 (2013: HK$1.5 cents).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2014, the Group's shareholders' funds were approximately HK$1,442,800,000, compared with approximately HK$1,485,108,000 as at 31st December, 2013.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 31st December, 2014 was approximately 0.46 (2013: 0.45), and the liquidity ratio was approximately 1.57 (2013: 1.60), both were maintained at a healthy level. As at 31st December, 2014, cash, bank balances and time deposits amounted to approximately HK$352,876,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on page 158 of the annual report.

REPORT OF THE DIRECTORS

LEASEHOLD LAND AND BUILDINGS, PLANT AND EQUIPMENT

The leasehold land and buildings of the Group were revalued on 31st December, 2014. The resulting surplus and deficit arising on revaluation of leasehold land and buildings held for own use attributable to the Group have been recognised in other comprehensive income and accumulated separately in the property revaluation reserve or consolidated income statement as appropriate.

During the year, the Group spent, in aggregate approximately HK$157,488,000 on the acquisition of property, plant and equipment for the purpose of expanding business.

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year under review are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December, 2014, calculated in accordance with the Companies Ordinance, amounted to approximately HK$589,851,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's turnover and purchases for the year respectively.

DIRECTORS

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

Executive Directors
Tang To *(Chairman)*
Wong Yiu Ming *(Executive Vice Chairman)*
Tang Yu, Freeman *(Chief Executive Officer)*

Non-Executive Directors
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors
Yeung Shuk Fan
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

During the year, Mr. Wu Ding, the Vice Chairman and the Non-Executive Director, and Mr. Jiang Wei, the Executive Director, resigned from their office. On 15th January 2015, Mr. Wong Yiu Ming, the Executive Director, was appointed as Executive Vice Chairman.

REPORT OF THE DIRECTORS

In accordance with Articles 103 of the Company's Articles of Association, Mr. Tang To, Ms. Yeung Shuk Fan and Mr. Cheng Tak Yin will retire from office and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

No director has a service contract with the Company or any of its subsidiaries, which is not terminable within one year without payment of compensation (other than statutory compensation).

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-Executive Directors and the Independent Non-Executive Directors were appointed for a specific term of three years commencing from 8th September, 2012, 30th January, 2013, 1st June, 2013, 21st December 2013 and 1st January, 2014 respectively. Every director including those appointed for a specific term is subject to retirement by rotation and re-appointment at least once every three years.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

During the year under review, the interests and short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO")) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares

	Number of shares held					Approximate % of total
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Issued Shares of the Company
Tang To	4,970,000	2,000 *(Note 2)*	300,617,458 *(Note 1)*	224,000 *(Note 3)*	305,813,458	42.66
Wong Yiu Ming	10,372,072	–	–	–	10,372,072	1.45
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,406,000	–	–	4,400	1,410,400	0.20

Notes:

1. As at 31st December, 2014, 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited ("Ginta") which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited ("Codo").

   As at 31st December, 2014, Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited ("Cosmos Holdings") and Tai Shing Agencies Limited ("Tai Shing"), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited ("Keepsound"), a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust, (ii) 8.37% by Elegant Power Enterprises Limited ("Elegant Power"); (iii) 30.25% by Friendchain Investments Limited ("Friendchain"), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited ("Fullwin"); (iv) 16.09% by Yik Wan Company Limited ("Yik Wan"); and (v) 20.23% by five individuals and two limited companies.

2. As at 31st December, 2014, 2,000 Shares were held by the spouse of Mr. Tang.

3. As at 31st December, 2014, 224,000 Shares were jointly held by Mr. Tang and his spouse.

The percentage shown was calculated based on the number of issued shares of the Company as at 31st December, 2014.

As at 31st December, 2014, other than as disclosed above and certain nominee shares held in trust for the Group, none of the Directors or Chief Executive or their associates had any interests and short positions in the shares, underlying shares of the Company and its associated corporations (within the meaning of the SFO) to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at 31st December, 2014 which is significant in relation to the business of the Company and its subsidiaries.

As at 31st December, 2014, none of the Directors had any direct interests or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2014, the following interests in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests and short positions required to be kept under Section 336 of Part XV of the SFO:

Interests in the Shares

Name of Substantial Shareholders	Number of shares held: Direct Interests	Number of shares held: Deemed Interests	Total	Approximate % of total Issued Shares of the Company
Law Kit Fong	–	297,157,052 *(Note 1)*	297,157,052	41.45
Codo	–	297,157,052 *(Note 2)*	297,157,052	41.45
Cosmos Holdings	127,052,600	170,104,452 *(Note 3)*	297,157,052	41.45
Tai Shing	170,104,452	–	170,104,452	23.73
Saniwell Holding Inc.	–	297,157,052 *(Note 4)*	297,157,052	41.45
China Resources (Holdings) Company Limited	169,649,046 *(Note 5)*	–	169,649,046	23.66

Notes:

1. Ms. Law Kit Fong is deemed to be interested in the block of 297,157,052 Shares through her direct and indirect interests in Elegant Power and Codo. As at 31st December, 2014, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. As at 31st December, 2014, Codo is owned as to 30.25% by Friendchain (which is owned as to 40% by Elegant Power) and 8.37% by Elegant Power (which is wholly owned by Ms. Law Kit Fong).

2. As at 31st December, 2014, Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 31st December, 2014, Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power, which is wholly-owned by Ms. Law Kit Fong; (iii) 30.25% by Friendchain, which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.

3. Cosmos Holdings was deemed to be interested in 170,104,452 Shares through its subsidiary, Tai Shing.

4. As at 31st December, 2014, Saniwell Holding Inc. was deemed to be interested in the block of 297,157,052 Shares under the SFO through its deemed interests in Codo. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.

5. As shown by the latest interest disclosure information maintained pursuant to Part XV of the SFO provided to the Company by China Resources Corporation, China Resources Co., Limited and CRC Bluesky Limited, the above three companies were deemed to be interested in the Shares owned by China Resources (Holdings) Company Limited.

The percentage shown was calculated based on the number of issued shares of the Company as at 31st December, 2014.

Save as disclosed above, as at 31st December, 2014, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year under review was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Chief Executive to acquire benefits by means of the acquisition of shares or any underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of SFO); and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

SHARE OPTION SCHEME

In order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time, the Company has adopted the share option scheme at the Annual General Meeting of the Company held on 30th May, 2005, and unless otherwise terminated or amended, this scheme will remain in force for 10 years from that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

The offer of the grant of option may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. The option period of the share options is determined by the directors at their absolute discretion and notified by them to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Further details of share option scheme are set out in note 31 to the financial statements.

The Company did not grant any share option during the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31st December, 2014 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors and two Executive Directors. It has adopted terms of reference which are in compliance with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, culture and educational background) of the Board at least annually to complement the Company's corporate strategy.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2014, the Group has approximately 4,566 employees (2013: approximately 5,100), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

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

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2014.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2014 except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2014 annual general meeting of the Company. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report in this annual report.

REPORT OF THE DIRECTORS

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2014, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10A of the Listing Rules, the Company has appointed sufficient independent non-executive directors. The Company has received from each of the Independent Non-Executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors are independent.

PUBLIC FLOAT

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

PUBLICATION OF ANNUAL REPORT

This annual report is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

On behalf of the Board
TANG To
Chairman

Hong Kong, 30th March, 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Corporate Governance Code ("the CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices. The Directors consider that the Company has complied with the CG Code during the financial year ended 31st December, 2014, except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2014 annual general meeting of the Company. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Committee of Executive Directors, Audit Committee, Remuneration Committee and Nomination Committee. Further details of these committees are set out in this report.

CORPORATE GOVERNANCE REPORT

The Board has at least four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31st December, 2014, the Board held four meetings and two general meetings. The attendance of the Directors at the Board meetings and the general meetings are as follows:

	Number of attendance for the year ended 31st December 2014	
Name of Directors	Board Meetings	2014 Annual General Meeting
Executive Directors		
Tang To *(Chairman)*	4/4	1/1
Jiang Wei *(resigned on 11th July 2014) (Note 1)*	0/3	0/1
Wong Yiu Ming *(Executive Vice Chairman)*	4/4	1/1
Tang Yu, Freeman *(Chief Executive Officer)*	4/4	1/1
Non-Executive Directors		
Wu Ding *(Vice Chairman) (resigned on 12th May 2014) (Note 2)*	0/2	N/A
Kan Wai Wah	4/4	0/1
Qu Jinping	2/4	0/1
Independent Non-Executive Directors		
Yeung Shuk Fan	4/4	1/1
Cheng Tak Yin	4/4	1/1
Ho Wei Sem	4/4	0/1
Huang Zhi Wei	3/4	0/1

Note 1: Three Board meetings were held during the period from 1st January 2014 to 10th July 2014.

Note 2: Two Board meetings were held during the period from 1st January 2014 to 11th May 2014.

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The Directors are enabled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board has resolved to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal action against the Directors.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance function. The Board is responsible for performing the corporate governance duties including (a) to develop and review the Company's policy and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual to employees and Directors; and (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

In order to preserve independence and to have balanced judgment of views, there is a clear separation of the roles and responsibilities of the Chairman and CEO and the two positions are held by two different members of the Board. The Board has appointed a Chairman, Mr. Tang To, who is an Executive Director and is responsible for the Company's overall strategic planning and provides leadership to the Board so that the Board works effectively and all important issues are discussed in a timely manner. The CEO, Mr. Tang Yu, Freeman, is an Executive Director and is responsible for the daily operation and business directions of the Group.

BOARD COMPOSITION

As at the date of this report, the Board comprises three Executive Directors, being Tang To, Wong Yiu Ming and Tang Yu, Freeman, two Non-Executive Directors, being Kan Wai Wah and Qu Jinping and four Independent Non-Executive Directors, being Yeung Shuk Fan, Cheng Tak Yin, Ho Wei Sem and Huang Zhi Wei.

During the year, Mr. Wu Ding, the Vice Chairman and the Non-Executive Director, and Mr. Jiang Wei, the Executive Director, resigned from their office. The Board considers that the resignation of the two directors do not affect the operation of the Group and the corporate governance of the Board to the Group. New directors would be appointed when the time is appropriate as long as the Board believes that the appointments of whom are benefit to the Group and reinforce the competence of corporate governance of the Board. On 15th January 2015, Mr. Wong Yiu Ming, the Executive Director, was appointed as Executive Vice Chairman.

Except Mr. Tang To, the Chairman and an Executive Director and Mr. Tang Yu, Freeman, the CEO and an Executive Director are father and son, the other Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out in pages 14 to 17 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION, REMOVAL AND NOMINATION OF DIRECTORS

Every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and that any Director appointed to fill a casual vacancy on the Board shall be subject to re-election by shareholders at the first general meeting after the appointment and any Director appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company.

Each of the Non-Executive Director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Articles of Association of the Company.

NOMINATION OF DIRECTORS AND NOMINATION COMMITTEE

Regarding the nomination of Directors, the Company established the Nomination Committee on 29th March, 2012 which comprises three Independent Non-Executive Directors namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Ho Wei Sem and two Executive Directors namely Mr. Tang To (being the Chairman) and Mr. Tang Yu, Freeman. The Nomination Committee will review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations regarding any proposed changes, identify suitable individual qualified to become board members and makes recommendation on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to those candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of strong and diverse Board.

Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year 2014. The Nomination Committee is of the opinion that the current size and composition of the Board is adequate to facilitate effective decision-making, and is also satisfied that the existing composition of the Board, which as a group provides the core competencies necessary to guide the Group. Terms of Reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

The attendance of each member of Nomination Committee at the meeting is set out as follows:

Directors	Number of attendance/ Number of meetings held
Ms. Yeung Shuk Fan	1/1
Mr. Cheng Tak Yin	1/1
Mr. Ho Wei Sem	1/1
Mr. Tang To	1/1
Mr. Tang Yu, Freeman	1/1

RESPONSIBILITIES OF DIRECTORS

The Directors are continually updated with statute, common law, the Listing Rules, legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Independent Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment on issues of strategy, policy, performance, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various committees and examine the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors of the Company are encouraged to attend to Continuous Professional Development training. All the Directors have been supplied with relevant reading materials regarding corporate governance or attend relevant forum or training courses organized by qualified professionals on relevant topics to develop and enhance their knowledge and skill in relation to their contribution to the Board.

The Directors also disclose to the Company their interests as Directors or other offices in other public companies in timely manner and provide updates to the Company on any subsequent changes.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code and its code of conduct regarding directors' securities transactions.

SUPPLY OF AND ACCESS TO INFORMATION

All the Directors are supplied with board papers and relevant materials within a reasonable period of time in advance of the intended meeting date. All Directors have unrestricted access to the management for enquiries and are entitled to have unlimited access to the board papers and relevant materials when required. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a Remuneration Committee in June 2005. When determining the remuneration packages the Remuneration Committee will consider factors such as the salaries paid by comparable companies, time commitment of Directors and senior management, job responsibilities, performance of the individual and performance of the Company. The Remuneration Committee has adopted the approach under B.1.2(c)(i) of the code provisions to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. It will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time. Its work for the year ended 31st December 2014 is summarized as follows:

(i) To determine the policy for remuneration of Directors and to make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;

(ii) To oversee performance of the Executive Directors; and

(iii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for both Executive and Non-Executive Directors and the senior management.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the chairman of the Remuneration Committee is an Independent Non-Executive Director, Mr. Cheng Tak Yin and the remaining members are Ms. Yeung Shuk Fan and Mr. Ho Wei Sem, being Independent Non-Executive Directors and the Chairman of the Board of the Company, Mr. Tang To.

The Remuneration Committee annually sets out its recommendation on the remuneration package of the Executive Directors. For the financial year ended 31st December, 2014, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management of the Company.

The Remuneration Committee held two meeting during the financial year ended 31st December, 2014 and the attendance of each member at these meetings are set out as follows:

Directors	**Number of attendance/ Number of meetings held**
Ms. Yeung Shuk Fan	2/2
Mr. Tang To	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2

The terms of reference of the Remuneration Committee is currently made available on the HKExnews website and the Company's website.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2005. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's business and operations.

Details of the amount of Directors emoluments are set out in note 10 to the accounts and details of the 2005 Share Option Scheme are set out in the Report of the Directors and note 31 to the accounts. Remuneration of senior management disclosed by band is set out as follows:

The remuneration of senior management were within the following bands	**Number of employees 2014**
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	–
HK$3,000,001 to HK$4,000,000	–
HK$4,000,001 to HK$5,000,000	–
HK$5,000,001 to HK$6,000,000	1
	3

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statement, and announcements to shareholders. The responsibilities of the Directors in relation to the financial statement, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 52 which acknowledges the reporting responsibilities of the Group's auditors. The Directors aim to present a balanced and understandable assessment of the Group's, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

COMPANY SECRETARY

The Joint Company Secretaries of the Company are Ms. Mak Po Man and Mr. Ho Kwong Sang, the chief financial officer of the Group. They are employees of the Company and responsible for providing advices to the Board for ensuring the Board procedures are followed and that the applicable laws and regulations are complied with.

The Joint Company Secretaries of the Company have complied with all the proposed qualifications, experience and training requirements under the Listing Rules.

INTERNAL CONTROLS

Through the Company's internal audit functions, the Directors annually conduct a review of the effectiveness of the system of internal control of the Company which covers all material controls, including financial, operational and compliance controls and risks management functions.

The Board monitors its internal control systems through a programme of internal audits. The internal audit function set up by the Company reviews the major operational and financial control of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. It also reviews regularly the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The internal audit function reports to the Chairman of the Audit Committee.

AUDIT COMMITTEE

During the year under review and up to the date of this report, the Audit Committee comprises all three Independent Non-Executive Directors namely, Ms. Yeung Shuk Fan (being the Chairman of the Audit Committee), Mr. Cheng Tak Yin and Mr. Ho Wei Sem, who among themselves possess a great deal of management experience in the accounting profession and commercial sectors.

The Audit Committee meets the external auditors at least twice a year to discuss any areas of concerns during the audits. As considered necessary and requested by any one or more of the Independent Non-Executive Directors, the Audit Committee shall meet with the external auditors without the presence of the executive Board members. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The terms of reference of the Audit Committee is currently made available on the HKEXnews website and the Company's website.

For the financial year ended 31st December, 2014, the Audit Committee has performed the following duties:

1. reviewed with the management the accounting principles and practices adopted by the Group;

2. reviewed the audited financial statement for the year ended 31st December, 2013 and the unaudited interim financial statement for the six months ended 30th June, 2014 with recommendation to the Board for approval; and

3. reviewed principles and procedures on internal control system covering financial, operational and risk management functions.

The Audit Committee held two meetings during the financial year ended 31st December, 2014. The attendance of each member's attendance at such meetings is set out as follows:

Directors	**Number of attendance/ Number of meetings held**
Ms. Yeung Shuk Fan *(Chairman of the Audit Committee)*	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comment and records respectively. First version should be sent out to all members for comment within approximately 30 days and final version will be used for minutes recording purpose.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ting Ho Kwan & Chan, is set out as follows:

	Fee paid/payable HK$
Services rendered	
Audit services	2,358,000
Non-audit services	–
	2,358,000

CORPORATE GOVERNANCE REPORT

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors of the Board and meets frequently as when necessary and is responsible for the management and day to day operations of the Group.

SHAREHOLDERS' RIGHT

The Company follows a policy of disclosing information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the Annual General Meeting of the Company ("AGM"). The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and accompanying circular also set out details of each proposed resolution and other relevant information as required under the Listing Rules. The Chairman proposes separate resolution for each issue to be considered and put each proposed resolution to the vote by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures. Voting results are available in the Company's website at www.cosmel.com on the day after the AGM. The Chairman of the Board has attended at the annual general meeting to be available to answer questions from shareholders.

In accordance with the Company's Article and the Companies Ordinance, any members holding at the date of the deposit of the requisition not less than one-twentieth of such paid up capital of the Company (which carries the right of voting at the general meetings), is entitled to deposit a requisition to the registered office of the Company to convene an extraordinary general meeting ("EGM") of the Company in accordance with the following procedures.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong for the attention of the Board or the Company Secretary. The documents may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified by the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Board will convene the EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified as not in order, the requisitionist will be advised of this outcome and the EGM will not be convened as requested.

If within twenty-one days from the date of deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM in the same manner, all reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly convene the EGM shall be reimbursed by the Company to the requisitionist(s).

The Board has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. Our corporate website www.cosmel.com contains an investor relations section which offers timely access to the Company's corporate information, interim and annual reports, announcements and circulars issued by the Company.

SUSTAINABILITY REVIEW

The Group is pleased to present the first Sustainability Review ("Review") to demonstrate its commitment to sustainable development. This Review has been prepared in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide of Hong Kong Exchanges and Clearing Limited ("HKEx"), which covers four subject areas, including workplace quality, environmental protection, operating practices, and community involvement.

To identify stakeholder interest and expectation on relevant sustainability issues, we commissioned the Hong Kong Productivity Council ("HKPC") in August 2014 to carry out an independent Stakeholders Engagement Programme for Cosmos Machinery Enterprises Limited. As a result of consolidating and analysing the collected feedback, the Group has identified a total of 15 sustainability issues that are regarded material to its operations and have drawn most attention from its stakeholders. (See Table 1)

TABLE 1 ANALYSIS RESULTS OF MATERIAL ISSUES

Workplace Quality	Environmental Protection
• Staff remuneration and benefits • Occupational health and safety • Staff development and training • Compliance with labour standards and regulations	• Treatment of effluent • Air quality • Greenhouse gas emissions • Waste recovery and recycling • Effective use of water • Policies and initiatives to mitigate impacts on the environment and natural resources
Operating Practices	**Community Involvement**
• Supply chain management • Product responsibility • Anti-corruption	• Staff recreational activities • Community and charitable activities

Reporting on the Group's sustainability performance for the first time, this Review mainly focuses on our core business activities in machinery manufacturing. Unless specified otherwise, all reported information and data in this Review originate from the Hong Kong headquarters of Cosmos Machinery Enterprises Limited, Dong Hua Machinery Limited in Dongguan, Dongguan Cosmos NC Machinery Limited, and Dekuma Rubber and Plastic Technology (Dongguan) Limited. The Group will continue to enhance its data collection system and expand the scope of disclosure in future.

SUSTAINABILITY REVIEW

PEOPLE-ORIENTED PHILOSOPHY

People are the Group's most valuable resources and the cornerstone for achieving its sustainable development. In establishing a foothold in industry, people-oriented culture, values pragmatism, and encourages continuous learning. These core values guide all the operations of our business. The Group has established all-round staff policy and guidelines for staff welfare, provides a safe workplace, and supports the development of talents.

• *Cosmos Corporate Culture Stone*

POLICY AND WELFARE [1]

Over decades, the Group has founded a people-oriented culture and all job candidates are selected based on their competency. We offer challenging opportunities with promising career prospects, and try our best to provide a comfortable and fair environment for our people. Our internal policy sets clear guidance for employee management, covering aspects such as ensuring equal opportunities, eliminating sexual harassment, providing grievance redress mechanism, promoting anti-corruption, and protecting personal data. The Group abides to all applicable rules, regulations and guidelines on employment terms. During the year, no violation of labour law was recorded.

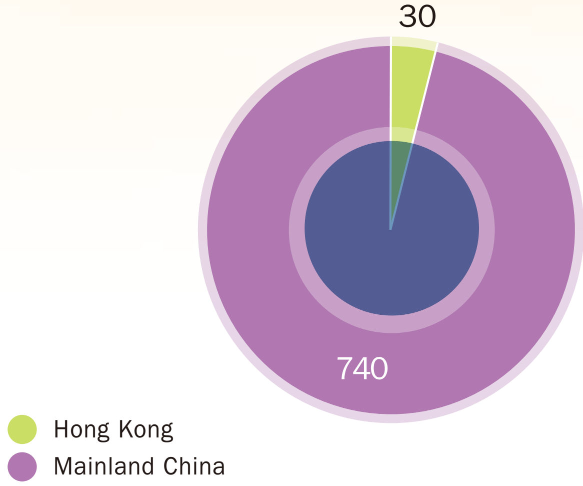
1. With reference to ESG Reporting Guide Aspect - A1 Working conditions, A4 Labour standards

SUSTAINABILITY REVIEW

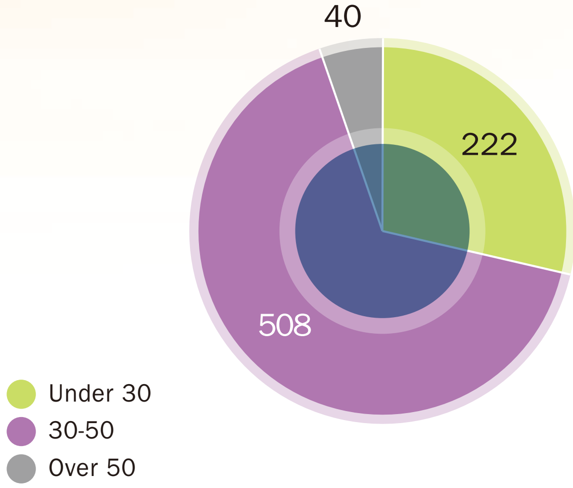
The Group provides competitive remuneration and staff benefits. The career advancement opportunities and salary adjustment are evaluated by performance. In addition to annual leave and employee insurance that comply with legal requirements of local jurisdictions in which we operate, we also provide employees with benefits such as maternity leave and paternity leave, marriage leave, bereavement leave, examination leave and injury leave, to foster a well-balanced leisure and holistic wellbeing.

As of 31st December, 2014, staff headcount, distribution and turnover of the Group were as follows:

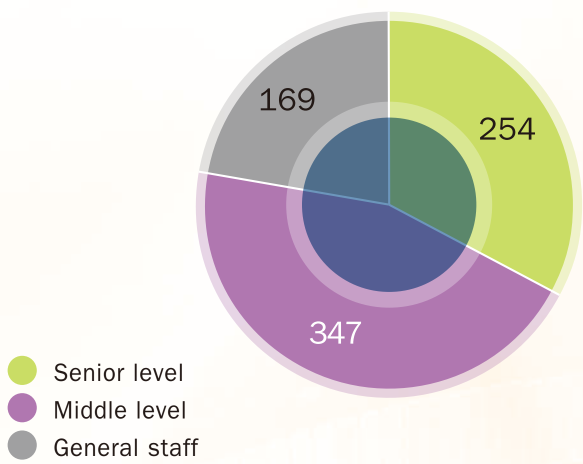
STAFF HEADCOUNT BY REGION



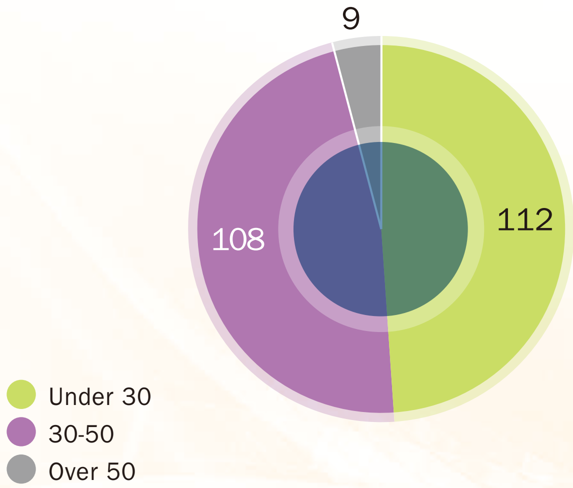
STAFF HEADCOUNT BY AGE GROUP



STAFF HEADCOUNT BY RANK



STAFF TURNOVER BY AGE GROUP



Note: The total turnover of 229 employees was reported in the Mainland China

PROMOTING OCCUPATIONAL SAFETY AND HEALTH [2]

The Group strives to safeguard our staff safety and health. We have established relevant guidelines for fire safety, electrical works and emergency response in daily operations. Notices are posted in work stations to promote staff awareness in using personal safety equipment to prevent accidents. We select the working equipment and tools with strict criteria and conduct regular review and evaluation of the working environment. As a precautionary measure, we continuously promote safety and health awareness amongst staff to minimise any occurrence of accidents.

◀▲

• *Occupational Safety and Health Notices*

TABLE 2 HEALTH AND SAFETY PERFORMANCE SUMMARY

Health and safety performance	2014
Number of reportable work injuries (Sick leave >7 days)	15
Lost days due to work injuries (Sick leave >7 days)	344.5 days
Number of occupational fatalities	0
Injury rate per 1,000 employees#	1.3% or less

The value reflects the range of individual percentages calculated per each company

Caring for Staff Health

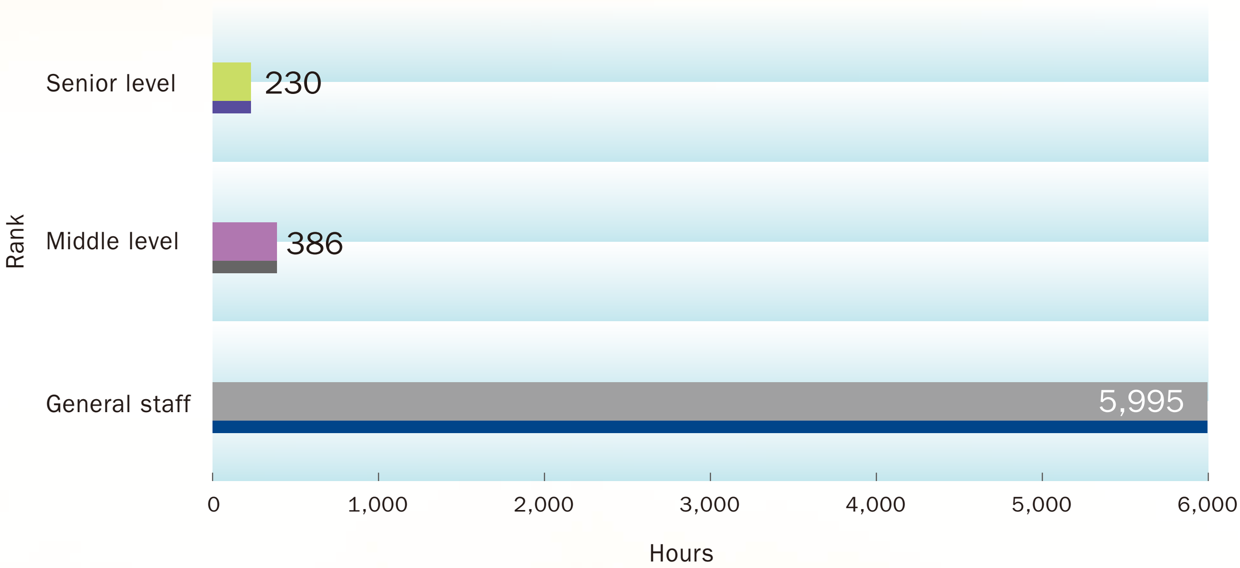
Over the years, the Group arranges free annual medical checkups for the staff and management teams at all business locations, so as to safeguard and maintain their health. In May 2014, about 700 local employees took part in the two-day medical checkup programme in Dongguan.

2. With reference to ESG Reporting Guide Aspect – A2 Health and safety

DEVELOPING TALENTS [3]

With the aim of building staff capacity to support the business growth of the Group, we draw up a training plan annually and allocate training budget as required. Apart from on-job training, we encourage employees to take internal and external professional programmes to strengthen their work-related skills, knowledge and expertise. The Group also provides staff training subsidies to foster a culture of continuous education and self-learning. Applicable training programmes are arranged for staff of different roles, with courses and seminars covering a wide range of topics, including management and leadership skills, communication skills and specific technical skills. In pursuit of sustainable development, the Group has introduced a train-the-trainers programme. Suitable candidates who have completed required external training and attained necessary qualification are appointed as Cosmos internal trainers. They are responsible for delivering internal staff training courses.

TOTAL TRAINING HOURS BY RANK



During the year, the total amount of staff training time was 6,611 hours.

3. With reference to ESG Reporting Guide Aspect – A3 Development and training

Cultivating Young Talents for Industry

Taking a pivotal role in fostering the development of young people, the Group has ongoing collaboration with university career centres to offer summer internship programmes. The Group has also set up a corporate gallery for visitors, which are open for school tours. Guided by designated staff, students can obtain practical information on machinery manufacturing. These tours help equip students with the knowledge of latest technologies on machinery manufacturing and encourage interest in the industry amongst new generations.

Corporate Gallery

Dongguan Academician Work Station

Established in 2013, Dongguan Academician Work Station is the first academician work station for polymer processing in Guangdong Province. This facility was set up to further enhance macromolecule material processing, to accelerate corporate and industry reforming, and product upgrading. Besides serving as a work station for research on high-end plastics machinery, it also acts as a training base where staff can acquire advanced technical knowhow and develop personal competency.

Dongguan Academician Work Station

ENVIRONMENTAL INNOVATION

Providing value-added solutions for customers is always the pillar of our business. By responding promptly to the fast-changing market environment, the Group is committed to delivering products and services with superior quality. In collaboration with our suppliers, we maintain not only compliance with local regulatory requirements, but also strive to explore every opportunity to achieve environmental innovation. In addition, a number of sustainable measures have been introduced in our daily operations to protect the environment and natural resources.

GREEN PRODUCTS [4]

In view of the potential environmental impacts related to energy consumption during machine operation, the Group promotes innovation through technological research and advancement, with the aim of optimising product efficiency and reducing energy consumption. With the growing development of environmental policies around the world, more and more customers have begun to pay attention to eco product designs in recent years. In recognition of the global trend, the Group monitors the associated market demands closely and ensures that the considerations of practical needs and environment requirements are incorporated harmoniously into the designs of new-generation products.

• *Recognition and Awards for Cosmos Innovation Product Designs*

[4] With reference to ESG Reporting Guide Aspect – B3 The environment and natural resources, C2 Product responsibility

SUSTAINABILITY REVIEW

Energy-Saving Plastic Injection Moulding Machine

As a pioneer in the plastic injection moulding machinery industry in China, Dong Hua Machinery Limited has attained the certification to ISO 9001 Quality Management Systems and the associated series of quality assurance standards. Its servo-driven energy-saving injection moulding machine 90Se~4000Se is listed in the recommended energy-saving equipment (products) catalogue (third batch) published by the Ministry of Industry and Information Technology. The machine can save up to over 30% of the energy consumed by the conventional model with a variable-speed pump.

• *Plastic Injection Moulding Machine with Green Design*

SUSTAINABILITY REVIEW

COLLABORATING WITH SUPPLIERS [5]

Suppliers are the Group's key business partners. In view of this, we strive to share the sustainability concept with our supply chain. With policies and systems in place to steer supplier management, the Group engages responsible suppliers and advocates green procurement. Upholding common values of environmental protection and business ethics, we lay a foundation for concerted growth with suppliers.

When managing different markets, the Group observes local laws and regulations to ensure product health and safety, proper product declaration and labels, customer privacy protection, anti-corruption, and safeguarding intellectual properties. To optimise production processes, factory workshops are retrofitted with active carbon filters, central exhaust systems and water spray devices. Reclaimed water from machinery is recovered and effluent emissions are reduced to adhere to statutory requirements of the Mainland China. We also work closely with suppliers to apply technical strengths to upgrade process technology and reduce waste generation during production.

• *Central Exhaust System*

5. With reference to ESG Reporting Guide Aspect – C1 Supply chain management, C3 Anti-corruption

SUSTAINABLE WORKPLACE [6]

The Group makes great effort to promote the reuse of resources. In this regard, we have engaged qualified contractors and established formal waste recovery agreements with them to ensure the proper management of various wastes.

TABLE 3 OVERVIEW OF WASTE RECYCLED IN 2014

Material	Unit	Recycling Quantity
Metal (e.g. steel, aluminium)	kg	505,660
Plastics	kg	4,430
Waste oil	kg	6,330
Packaging materials (e.g. cardboard, paint buckets)	kg	29,860
Empty oil barrels	piece	592
Others (e.g. wire, scrap)	kg	63,410

In living quarters and canteens, we encourage colleagues to reduce power consumption and food waste. Separate electric meters are installed in staff dormitory rooms to monitor actual energy usage and to avoid unnecessary consumption. Notices are posted in canteens and food waste collection points are installed to remind employees to avoid wastage. Staff is encouraged to order food in portions per their request to minimise food waste effectively.

• *Food Waste Collection Points*

6. With reference to ESG Reporting Guide Aspect – B1 Emissions, B2 Use of resources

SUSTAINABILITY REVIEW

During daily office operations, employees are encouraged to practise green measures and adopt environmentally-responsible behaviours, with the aim of promoting low carbon in office and minimising carbon footprint. Some examples of the green measures are:

- Using natural light whenever possible and applying energy-saving fluorescent lamps;
- Maintaining the temperature of air-conditioners at 25.5˚C or above;
- Switching off lights and computer monitors when not in use during lunch breaks;
- Turning off air-conditioners and lights in working areas after work; and
- Using stairs instead of taking lifts or escalators.

• *Utilisation of Natural Lights*

Moreover, in order to foster "Paperless" in office, the Group encourages staff to view documents on computers instead of printing out paper copies. When possible, double-side print setting should be used, and one-side printed paper should be reused. Designated collection points are also set up in office to aid paper recycling.

• *Environmental Reminders Posted in Office*

SUSTAINABILITY REVIEW

• *Green Roof*

Supporting Earth Hour for the Third Consecutive Year

In full support of Earth Hour, the Group and its members switched off unnecessary lights for one hour from 8:30 to 9:30 pm on 29th March, 2014. During the event, we spread energy conservation messages to employees through email and posters, aiming to inspire employees to make small individual changes and develop a green lifestyle for the environment.

• *Reduce Carbon Emissions – Participation in Earth Hour*

SUSTAINABILITY REVIEW

COMMUNITY CARE [7]

The Group dedicates itself to serving the society with care, passion, integrity and respect. Guided by this key corporate mission, the Group has performed corporate responsibility earnestly for years. In addition to helping the underprivileged in local communities, the Group has also set up a volunteer team to encourage staff participation in a variety of community activities.

Since its inception, Cosmos Volunteer Team has actively driven a corporate culture of voluntary service and strengthened internal cohesion. Offering a wide range of services to benefit people with various needs, the team makes positive contribution to the sustainable development of society. As of end 2014, the accumulative voluntary service hours in Hong Kong alone equalled to 58 hours.

A HELPING HAND TO THE UNDERPRIVILEGED

The Group makes donations to assist youths in remote regions to realise their development potentials and become pillars of society in future.

As a continuous undertaking, the Group has taken great effort to support children in remote rural regions in recent years. As of December 2014, more than RMB800,000 (around HK$1 million) worth of school supplies, clothing and other essentials had been donated to benefit over ten local schools, including the designated funding recipients of Lami Centre School and Gudui Centre School at Leibo County of Liangshan Prefecture in Sichuan Province.

[7]. With reference to ESG Reporting Guide Aspect – D1 Community investment

Warmth Delivered to Butuo

Butuo County situates in the southwest of Sichuan Province. It is a cold upland region in the southeastern part of Liangshan Yi Autonomous Prefecture. The region is known for its harsh weather but many children have to fight the chill in torn and ragged clothes and footwear. In this regard, Cosmos Volunteer Team organised a care-giving trip to three schools in the region in September 2013. Our volunteers handed out winter supplies such as outfits, hiking shoes and thick socks to the students of these schools. Through giving out contributions, we also received the joy from the children. Happiness was reciprocal for both givers and receivers.

• *Warmth for Students in Need in Mountainous Area*

SUSTAINABILITY REVIEW

COMMUNITY ACTIVITIES

Cosmos Volunteer Team organised many community activities during the year, including a number of visits to the elderly and underprivileged families, charity donations, and taking part in Cookies Bazaar Day and Flag Day Fundraising. By raising funding and donating goods for charity, we share our care with the community.

Helping the Underprivileged

On 13th July, 2014, our volunteers took part in a Care-Pack-Giving Home Visit to the underprivileged elderly. Presenting gifts prepared with love, our volunteers spent fun and quality time together with the seniors. Children of some colleagues had joined the visit. It was a perfect occasion for them to experience the Chinese virtue of respecting and caring for the aged.

• *Visiting the Elderly from Underprivileged Families*

29th November, 2014 marked the International Day of Disabled Persons 2014. In support of social inclusion, Cosmos Volunteer Team enjoyed a great day with residents at Father Tapella Home of Fu Hong Society at Ocean Park.

• *Supporting Challenged Individuals through Social Hangout*

2013/2014 New Territories Walk for Millions

Our volunteer team made a supportive presence at the 2013/2014 New Territories Walk for Millions - Stonecutters Bridge on 9th March, 2014 to raise funds for social welfare initiatives and facilities supported by the Community Chest, with the aim of healthy growth of local children and youth. The 4km walk began at the Stonecutters viaduct and ended at the western exit of Nam Wan Tunnel, passing through Stonecutters Bridge and Tsing Yi viaduct along the way.

• *Participation in New Territories Walk for Millions*

In recognition of its dedicated effort to practise corporate responsibility and promote an inclusive society, the Group was awarded the Caring Company logo by Hong Kong Council of Social Services again in 2014, marking the seventh consecutive year to receive this honour.

• *"Caring Company" Recognition Ceremony*

INDEPENDENT AUDITOR'S REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

香港德輔道中249－253號
東寧大廈9字樓

TO THE MEMBERS OF COSMOS MACHINERY ENTERPRISES LIMITED
大同機械企業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 157, which comprise the consolidated and Company balance sheets as at 31st December, 2014, and the consolidated income statement, the consolidated statement of 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

TING HO KWAN & CHAN
Certified Public Accountants (practising)

Hong Kong, 30th March, 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2014

	Notes	2014 HK$	2013 HK$
Turnover	6	**2,492,728,637**	2,465,110,889
Cost of sales		**(2,059,153,897)**	(2,117,309,967)
Gross profit		**433,574,740**	347,800,922
Other income and gains, net	6	**21,640,356**	31,091,640
Distribution costs		**(152,479,161)**	(161,504,360)
Administrative expenses		**(289,183,666)**	(275,826,275)
Allowance for impairment of bad and doubtful debts, net		**(6,429,205)**	(25,690,236)
Profit (Loss) from operations		**7,123,064**	(84,128,309)
Finance costs	7	**(21,267,359)**	(18,902,412)
Investment income	8	**11,804,104**	6,978,130
Share of (losses) profits of associates		**(48,118)**	2,126,129
Gain on dissolution/deregistration of subsidiaries		**–**	2,032,652
Gain on disposal of associates		**2,036,867**	217,216,593
Impairment loss of available-for-sale financial assets		**–**	(6,201,946)
(Loss) Profit before taxation	9	**(351,442)**	119,120,837
Taxation	11	**(7,583,345)**	3,904,348
(Loss) Profit for the year		**(7,934,787)**	123,025,185
Attributable to:			
– Equity shareholders of the Company	12	**(33,301,502)**	108,389,916
– Non-controlling interests		**25,366,715**	14,635,269
		(7,934,787)	123,025,185
(Loss) Earnings per share for (loss) profit attributable to the equity shareholders of the Company during the year	14		
– Basic		**(4.65 cents)**	15.12 cents

Details of the dividends payable and proposed for the year are disclosed in note 15 to the consolidated financial statements.

The notes on pages 63 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	Note	2014 HK$	2013 HK$
(Loss) Profit for the year		**(7,934,787)**	123,025,185
Other comprehensive income (expense) for the year, net of tax:	*13*		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of financial statements of foreign operations		**(5,272,572)**	32,665,425
Changes in fair value of available-for-sale financial assets		**112,137**	(8,367)
Share of other comprehensive (expense) income of associates		**(102,687)**	7,195,484
Release of translation reserve upon dissolution/deregistration of subsidiaries		**–**	1,312,863
Release of translation reserve upon disposal of associates		**(1,588,938)**	(43,542,822)
		(6,852,060)	(2,377,417)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties held for own use		**7,996,358**	3,816,246
		1,144,298	1,438,829
Total comprehensive (expense) income for the year		**(6,790,489)**	124,464,014
Attributable to:			
– Equity shareholders of the Company		**(31,554,291)**	106,170,553
– Non-controlling interests		**24,763,802**	18,293,461
Total comprehensive (expense) income for the year		**(6,790,489)**	124,464,014

The notes on pages 63 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31st December, 2014

	Notes	2014 HK$	2013 HK$
Non-current Assets			
Property, plant and equipment	16	**788,843,708**	709,223,232
Leasehold land and land use rights	18	**54,501,021**	56,270,840
Goodwill	19	**53,483,406**	53,483,406
Intangible assets	20	**11,986,600**	13,369,670
Interests in associates	22	**41,173,704**	45,343,437
Available-for-sale financial assets	23	**606,528**	494,391
Finance lease receivables	24	**14,102,642**	–
Deferred tax assets	35	**39,608,462**	25,970,125
		1,004,306,071	904,155,101
Current Assets			
Inventories	25	**656,310,264**	640,974,690
Finance lease receivables	24	**22,395,929**	–
Trade and other receivables	26	**743,336,806**	794,147,928
Other financial assets	27	**174,809,893**	–
Current tax recoverable		**2,120,550**	1,162,588
Cash and bank balances	28	**510,269,608**	750,414,673
		2,109,243,050	2,186,699,879
Current Liabilities			
Trade and other payables	29	**843,881,817**	900,179,697
Amounts due to associates		**480,940**	480,877
Bank borrowings – due within one year	33	**478,112,359**	438,128,137
Obligations under finance leases	34	**8,752,156**	12,911,338
Deferred consideration payable		**4,811,140**	4,274,257
Current tax payable		**6,738,326**	7,217,198
		1,342,776,738	1,363,191,504
Net Current Assets		**766,466,312**	823,508,375
Total Assets less Current Liabilities		**1,770,772,383**	1,727,663,476

CONSOLIDATED BALANCE SHEET

At 31st December, 2014

	Notes	2014 HK$	2013 HK$
Non-current Liabilities			
Bank borrowings – due after one year	33	**55,275,000**	–
Obligations under finance leases	34	**8,179,508**	5,193,701
Deferred tax liabilities	35	**26,630,527**	16,429,582
Deferred consideration payable		**3,065,834**	7,514,230
		93,150,869	29,137,513
Net Assets		**1,677,621,514**	1,698,525,963
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	30	**532,903,191**	286,772,277
Reserves		**909,896,636**	1,187,581,841
Proposed final dividend	15	**–**	10,753,960
		1,442,799,827	1,485,108,078
Non-controlling Interests		**234,821,687**	213,417,885
Total Equity		**1,677,621,514**	1,698,525,963

The consolidated financial statements on pages 54 to 157 were approved and authorised for issue by the Board of Directors on 30th March, 2015 and are signed on its behalf by:

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

The notes on pages 63 to 157 are an integral part of these consolidated financial statements.

BALANCE SHEET

At 31st December, 2014

	Notes	2014 HK$	2013 HK$
Non-current Assets			
Property, plant and equipment	*16*	**3,795,530**	1,409,162
Interests in subsidiaries	*21*	**1,159,547,227**	863,036,494
		1,163,342,757	864,445,656
Current Assets			
Other receivables		**7,343,172**	8,538,912
Other financial assets	*27*	**119,438,944**	–
Cash and bank balances	*28*	**136,995,665**	412,316,538
		263,777,781	420,855,450
Current Liabilities			
Other payables		**1,476,431**	3,080,860
Amounts due to subsidiaries		**111,628,874**	549,138,827
Amount due to an associate		**233,912**	233,912
Bank borrowings	*33*	**191,027,484**	128,713,667
		304,366,701	681,167,266
Net Current Liabilities		**(40,588,920)**	(260,311,816)
Total Assets less Current Liabilities/Net Assets		**1,122,753,837**	604,133,840
Capital and Reserves			
Share capital	*30*	**532,903,191**	286,772,277
Reserves	*32*	**589,850,646**	317,361,563
Total Equity		**1,122,753,837**	604,133,840

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

The notes on pages 63 to 157 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Attributable to equity shareholders of the Company											
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1st January, 2013	286,772,277	246,094,114	36,800	379,677	38,814,377	176,931,148	(814,344)	–	630,723,476	1,378,937,525	198,964,424	1,577,901,949
Profit for the year	–	–	–	–	–	–	–	–	108,389,916	108,389,916	14,635,269	123,025,185
Other comprehensive income for the year:												
Fair value loss:												
– Available-for-sale financial assets	–	–	–	–	–	–	(8,367)	–	–	(8,367)	–	(8,367)
Share of reserves of associates	–	–	–	–	–	7,195,484	–	–	–	7,195,484	–	7,195,484
Surplus on revaluation of properties held for own use	–	–	–	–	4,031,741	–	–	–	–	4,031,741	641,770	4,673,511
Deferred taxation adjustment	–	–	–	–	(744,670)	–	–	–	–	(744,670)	(112,595)	(857,265)
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	29,588,156	–	–	–	29,588,156	3,077,269	32,665,425
Reclassification as a result of disposal of associates	–	–	–	–	–	(43,542,822)	–	–	–	(43,542,822)	–	(43,542,822)
Reclassification as a result of dissolution/deregistration of subsidiaries	–	–	–	–	–	1,261,115	–	–	–	1,261,115	51,748	1,312,863
Total other comprehensive income for the year	–	–	–	–	3,287,071	(5,498,067)	(8,367)	–	–	(2,219,363)	3,658,192	1,438,829
Total comprehensive income for the year	–	–	–	–	3,287,071	(5,498,067)	(8,367)	–	108,389,916	106,170,553	18,293,461	124,464,014
Transactions with owners:												
Realised upon lapse of share options	–	–	–	(379,677)	–	–	–	–	379,677	–	–	–
Dividend paid to the non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(3,840,000)	(3,840,000)
Proposed final dividend (note 15(1))	–	–	–	–	–	–	–	10,753,960	(10,753,960)	–	–	
Balance at 31st December, 2013	286,772,277	246,094,114	36,800	–	42,101,448	171,433,081	(822,711)	10,753,960	728,739,109	1,485,108,078	213,417,885	1,698,525,963

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Attributable to equity shareholders of the Company											
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1st January, 2014	286,772,277	246,094,114	36,800	-	42,101,448	171,433,081	(822,711)	10,753,960	728,739,109	1,485,108,078	213,417,885	1,698,525,963
(Loss) Profit for the year	-	-	-	-	-	-	-	-	(33,301,502)	(33,301,502)	25,366,715	(7,934,787)
Other comprehensive income for the year:												
Fair value gain:												
– Available-for-sale financial assets	-	-	-	-	-	-	112,137	-	-	112,137	-	112,137
Share of reserves of associates	-	-	-	-	-	(102,687)	-	-	-	(102,687)	-	(102,687)
Surplus on revaluation of properties held for own use	-	-	-	-	9,369,731	-	-	-	-	9,369,731	101,086	9,470,817
Deferred taxation adjustment	-	-	-	-	(1,456,066)	-	-	-	-	(1,456,066)	(18,393)	(1,474,459)
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	-	(4,586,966)	-	-	-	(4,586,966)	(685,606)	(5,272,572)
Reclassification as a result of disposal of an associate	-	-	-	-	-	(1,588,938)	-	-	-	(1,588,938)	-	(1,588,938)
Total other comprehensive income for the year	-	-	-	-	7,913,665	(6,278,591)	112,137	-	-	1,747,211	(602,913)	1,144,298
Total comprehensive income for the year	-	-	-	-	7,913,665	(6,278,591)	112,137	-	(33,301,502)	(31,554,291)	24,763,802	(6,790,489)
Transactions with owners:												
Transition to no-par value regime on 3rd March, 2014	246,130,914	(246,094,114)	(36,800)	-	-	-	-	-	-	-	-	-
Dividend paid to the non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(3,360,000)	(3,360,000)
2013 final dividend paid (note 15(2))	-	-	-	-	-	-	-	(10,753,960)	-	(10,753,960)	-	(10,753,960)
Balance at 31st December, 2014	532,903,191	-	-	-	50,015,113	165,154,490	(710,574)	-	695,437,607	1,442,799,827	234,821,687	1,677,621,514

The notes on pages 63 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	2014 HK$	2013 HK$
OPERATING ACTIVITIES		
(Loss) Profit before taxation	(351,442)	119,120,837
Adjustments for:		
Interest income	(11,475,725)	(6,978,130)
Interest expense	21,267,359	18,902,412
Gain on held-for-trading investment	(318,797)	–
Dividend income	(9,582)	–
Gain on dissolution/deregistration of subsidiaries	–	(2,032,652)
Gain on disposal of associates	(2,036,867)	(217,216,593)
Impairment loss of available-for-sale financial assets	–	6,201,946
Share of losses (profits) of associates	48,118	(2,126,129)
Depreciation of property, plant and equipment	81,876,529	82,709,640
Amortisation of leasehold land and land use rights	1,613,471	1,509,428
Amortisation of intangible assets	1,383,070	461,023
Loss (Gain) on disposal of property, plant and equipment	310,003	(1,166,485)
Deficit on revaluation of properties held for own use	200,685	16,536
Allowance for impairment of bad and doubtful debts, net	6,429,205	25,690,236
Write-down of inventories, net	5,234,168	56,530,365
Operating cash flows before changes in working capital	104,170,195	81,622,434
Increase in inventories	(22,393,436)	(37,571,023)
Increase in finance lease receivables	(36,498,571)	–
Decrease (Increase) in trade and other receivables	37,885,708	(9,908,613)
Decrease in trade and other payables	(49,575,532)	(67,075,243)
Cash generated from (used in) operations	33,588,364	(32,932,445)
Hong Kong profits tax paid	(2,606,136)	(1,301,757)
Overseas tax paid	(11,411,645)	(8,738,017)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	19,570,583	(42,972,219)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	Notes	2014 HK$	2013 HK$
INVESTING ACTIVITIES			
Decrease (Increase) in pledged bank deposits		**62,158,682**	(163,906,387)
Purchase of property, plant and equipment		**(112,848,486)**	(60,416,449)
Proceeds from disposal of property, plant and equipment		**2,879,050**	2,748,142
Interest received		**11,475,725**	6,978,130
Increase in other financial assets		**(174,491,096)**	–
Dividend received from associates		**–**	4,254,314
Dividend received from listed available-for-sale financial asset		**9,582**	–
Net cash outflow from acquisition of subsidiaries	*37*	**(30,440,550)**	(112,841)
Proceeds from disposal of associates		**1,511,640**	546,959,011
Capital contribution to an associate		**–**	(245,894)
Decrease (Increase) in short-term bank deposits with maturity over three months		**80,034,812**	(80,034,812)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(159,710,641)**	256,223,214
FINANCING ACTIVITIES			
Repayment of bank loans		**(74,593,491)**	(58,216,865)
Repayment of deferred consideration payable		**(3,911,513)**	(1,387,241)
Interest paid		**(21,267,359)**	(18,902,412)
Repayment of obligations under finance leases		**(15,360,498)**	(15,938,745)
Dividend paid to the non-controlling shareholders of subsidiaries		**(3,360,000)**	(3,840,000)
Dividend paid		**(10,753,960)**	–
Bank loans raised		**152,325,827**	147,872,485
Repayment from associates		**2,955,280**	4,789,832
NET CASH GENERATED FROM FINANCING ACTIVITIES		**26,034,286**	54,377,054
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(114,105,772)**	267,628,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**445,015,254**	172,561,103
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,808,455)**	4,826,102
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*28*	**329,101,027**	445,015,254

The notes on pages 63 to 157 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

1. GENERAL

Cosmos Machinery Enterprises Limited (the "Company") is a public limited company domiciled and incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The address of its registered office is changed to 10/F., Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong with effect from 17th October 2014. The principal activities of its principal subsidiaries are set out in note 45.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties held for own use and certain financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRS that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement 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 intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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 HKFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

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

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Business combinations (Continued)

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 reassessment, 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.

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, when applicable, on the basis specified in another HKFRS.

Where 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 included 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 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.

If the initial accounting for a business combination is incomplete by the balance sheet date 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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate 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 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 is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Properties held for own use are stated at their revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(h)).

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

Revaluations on properties held for own use are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if any) over their estimated useful lives, as follows:

Leasehold land held for own use under finance leases	Unexpired term of the leases
Buildings held for own use	40 years or unexpired term of the leases, if shorter
Furniture, fixtures and equipment	3 – 10 years
Plant and machinery	5 – 10 years
Motor vehicles	3 – 10 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Assets under construction represent buildings, structures, plant and machinery and other fixed assets under construction or installation and are stated at cost less any accumulated impairment losses, and are not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Assets under construction are reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(e) Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in certain lessee-occupied properties.

Leasehold land and land use rights relating to certain buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to profit or loss.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 whenever there is indication that the unit may be impaired. 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 profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (Other than goodwill)

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses (see note 2(h)), on the same basis as intangible assets that are acquired separately.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

(h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates recognised using the equity method (see note 2(c)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity financial assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the allowance for impairment of bad and doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than leasehold land held for own use under finance leases and properties carried at revalued amounts);

– land and land use rights classified as being held under an operating lease;

– investments in subsidiaries and associates (except for those classified as held for sale or included in a disposal group that is classified as held for sale);

– goodwill; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Financial assets

The Group classifies its financial assets other than investments in subsidiaries and associates in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates their classification at every balance sheet date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Finance lease receivables, unlisted debt securities, trade and other receivables, short-term bank deposits with maturity over three months, pledged bank deposits and cash and cash equivalents in the balance sheet are classified as loans and receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date when the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are recognised initially at fair value, plus transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified through other comprehensive income to the income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Investments in unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, by reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred. Capitalisation of such borrowing costs ceases when 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 capitalised.

(k) Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for similar services, when such information is obtainable, is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(l)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(l)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or where not present obligations at the date of acquisition are disclosed in accordance with note 2(l)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities (Continued)

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Pledged bank deposits are not included in cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(l)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(r) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution plans under the mandatory provident fund scheme, the ORSO scheme and state-managed retirement benefits scheme are charged as expenses as they fall due.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Share-based compensation

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Hull White Trinomial Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share capital) or the option expires (when it is released directly to retained profits).

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below:

(i) Sales of goods are recognised when a Group entity has delivered products to the customer and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the period of the leases.

(iii) Handling and services income are recognised when services are provided.

(iv) Interest income is recognised as it accrues using the effective interest method. Interest income from the finance lease is recognised on a basis that reflects a constant periodic rate of return on the net investment in the finance lease.

(v) Dividend income is recognised when the shareholder's right to receive payment is established prior to the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

(i) Leases of land and buildings

Whenever necessary, in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as leasehold land and land use rights which are stated at cost and are amortised on a straight-line basis over the period of the lease term.

If the lease payments on a lease of land and buildings cannot be allocated reliably between the land and building elements at the inception of the lease or the relevant lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases *(Continued)*

(ii) Finance leases

Lessee

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment losses are calculated and recognised in the same manner as the depreciation and impairment losses on property, plant and equipment as set out in note 2(e), except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(iii) Operating leases

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the period of the lease term. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight-line basis over the lease period. Contingent rentals are charged as an expense in the periods in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Dividend distribution

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria. A discontinued segment is separately presented from continuing segments.

(y) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except those arising from qualifying cash flow hedges or qualifying net investment hedges which are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss when gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

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

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

(2) has significant influence over the Group; or

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

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

(1) 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).

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

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) 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 members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRS and amendments to HKFRS that are first effective for the current accounting period of the Company and the Group. Of these, the following developments are relevant to the Group's and the Company's financial statements:

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

The Group has not early applied any new standard, amendment or interpretation that has been issued but not yet effective for the current accounting period (see note 46). Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal. However, the Group does not have any impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designed as a hedging instrument meets certain criteria. The amendments do not have an impact on these consolidated financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the guidance is consistent with the Group's existing accounting policies.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The assumptions, estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of goodwill and the impairment (if any) in the period in which such estimate has been changed.

(ii) Allowance for impairment of trade and other receivables

The Group assesses impairment of trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at each balance sheet date. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience. If the financial condition of the debtors were to deteriorate, additional impairment may be required. A considerable level of judgement is exercised by the directors when assessing the financial condition and credit worthiness of each customer. An increase or decrease in the impairment loss would affect the net profit in future years.

(iii) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to allowance for doubtful debts and tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(iv) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 2(m). The directors estimate the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(v) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of such financial asset is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(vi) Estimated impairment of finance lease receivables

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

During the year ended 31 December 2014, no impairment loss has been recognised for finance lease receivables (2013: Nil). As at 31 December 2014, the carrying amount of finance lease receivables is HK$36,498,571 (2013: Nil).

5. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following four reportable segments.

(1) trading of industrial consumables;
(2) manufacturing of plastic processing products;
(3) manufacturing of machinery; and
(4) manufacturing and trading of printed circuit boards.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's top executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and corporate expenses.

The segment results for the year ended 31st December, 2014 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	415,601,542	381,457,719	826,732,063	856,609,291	12,328,022	-	2,492,728,637
Inter-segment sales	13,640,572	272,628	4,145,827	-	6,537,869	(24,596,896)	-
Total revenue	429,242,114	381,730,347	830,877,890	856,609,291	18,865,891	(24,596,896)	2,492,728,637

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	25,683,045	(23,471,872)	(22,960,478)	58,958,264	(1,948,739)	362,420	36,622,640
Unallocated corporate expenses							(29,499,576)
Profit from operations							7,123,064
Finance costs							(21,267,359)
Investment income							11,804,104
Share of losses of associates							(48,118)
Gain on disposal of an associate							2,036,867
Loss before taxation							(351,442)
Taxation							(7,583,345)
Loss before non-controlling interests							(7,934,787)

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	261,443,275	389,015,088	1,164,250,674	572,530,903	198,341,802	2,585,581,742
Interests in associates						41,173,704
Available-for-sale financial assets						606,528
Unallocated corporate assets						486,187,147
Consolidated total assets						3,113,549,121
LIABILITIES						
Segment liabilities	50,779,659	91,460,668	466,848,804	238,819,752	813,797	848,722,680
Current tax payable						6,738,326
Borrowings						550,319,023
Unallocated corporate liabilities						30,147,578
Consolidated total liabilities						1,435,927,607
OTHER INFORMATION						
Capital additions	480,760	11,018,541	22,178,415	21,275,297	102,534,858	157,487,871
Depreciation and amortisation	1,357,396	15,093,520	36,841,364	29,619,348	1,961,442	84,873,070
Other non-cash expenses	2,005,274	4,621,854	2,876,610	2,360,320	-	11,864,058
Share of profits (losses) of associates	-	(406,139)	490,365	(126,011)	(6,333)	(48,118)

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment results for the year ended 31st December, 2013 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	408,339,673	392,504,656	972,043,779	682,950,523	9,272,258	–	2,465,110,889
Inter-segment sales	22,424,752	329,854	6,670,005	–	6,188,302	(35,612,913)	–
Total revenue	430,764,425	392,834,510	978,713,784	682,950,523	15,460,560	(35,612,913)	2,465,110,889

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	30,357,237	(38,653,706)	(81,103,426)	36,601,118	(4,085,614)	361,427	(56,522,964)
Unallocated corporate expenses							(27,605,345)
Loss from operations							(84,128,309)
Finance costs							(18,902,412)
Investment income							6,978,130
Share of profits of associates							2,126,129
Gain on dissolution/ deregistration of subsidiaries							2,032,652
Gain on disposal of associates							217,216,593
Impairment loss of available-for-sale financial assets							(6,201,946)
Profit before taxation							119,120,837
Taxation							3,904,348
Profit before non-controlling interests							123,025,185

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	256,653,673	384,514,165	1,258,923,407	550,325,381	96,348,257	2,546,764,883
Interests in associates						45,343,437
Available-for-sale financial assets						494,391
Unallocated corporate assets						498,252,269
Consolidated total assets						3,090,854,980
LIABILITIES						
Segment liabilities	59,696,764	79,870,923	511,039,296	255,180,724	3,034,280	908,821,987
Current tax payable						7,217,198
Borrowings						456,233,176
Unallocated corporate liabilities						20,056,656
Consolidated total liabilities						1,392,329,017
OTHER INFORMATION						
Capital additions	1,139,172	16,702,171	32,871,878	11,838,383	677,813	63,229,417
Depreciation and amortisation	1,356,545	15,366,230	39,325,002	27,046,287	1,586,027	84,680,091
Other non-cash expenses	958,980	13,326,489	66,625,425	(2,880,000)	4,206,243	82,237,137
Share of profits (losses) of associates	–	(920,096)	1,543,558	27,045	1,475,622	2,126,129

5. SEGMENT REPORTING *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2014	2013
	HK$	HK$
Hong Kong	**761,980,711**	662,691,443
PRC	**1,488,372,320**	1,554,638,765
Other Asia-Pacific countries	**198,817,535**	205,802,553
North America	**5,311,551**	16,008,359
Europe	**38,246,520**	25,969,769
	2,492,728,637	2,465,110,889

The following is an analysis of the Group's fixed assets, goodwill and intangible assets ("specified non-current assets"), and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Specified Non-current assets		Additions to property, plant and equipment	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Hong Kong	**216,012,865**	117,196,957	**101,578,155**	1,885,196
PRC	**692,801,870**	715,150,191	**55,909,716**	61,344,221
	908,814,735	832,347,148	**157,487,871**	63,229,417

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year (2013: Nil) and no information about major customers is presented accordingly.

6. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the amounts received and receivable for goods sold to customers, less returns and discounts and interest income from finance lease receivables during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2014 HK$	2013 HK$
Turnover		
Sales of goods	**2,491,942,196**	2,465,110,889
Finance lease income	**786,441**	–
	2,492,728,637	2,465,110,889
Other income		
Gross rental income from properties	**594,753**	589,664
Handling, tooling and sales of scrapped materials	**12,331,763**	8,039,386
Government grants	**26,413**	8,650,935
Sundry income	**8,687,427**	12,645,170
	21,640,356	29,925,155
Gains, net		
Gain on disposal of property, plant and equipment	**–**	1,166,485
	21,640,356	31,091,640

7. FINANCE COSTS

	2014 HK$	2013 HK$
Interest on:		
Bank borrowings wholly repayable within 5 years	**20,068,138**	18,019,765
Finance leases	**831,734**	713,888
Imputed interest expense on deferred consideration payable	**367,487**	168,759
	21,267,359	18,902,412

8. INVESTMENT INCOME

	2014 HK$	2013 HK$
Bank interest income	**10,982,163**	6,978,130
Interest income from short term investment	**493,562**	–
Realised and unrealised gain on held-for-trading investment	**318,797**	–
Dividend income from listed available-for-sale financial asset	**9,582**	–
	11,804,104	6,978,130

9. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following:

	2014 HK$	2013 HK$
Charging:		
Directors' remuneration	**13,520,645**	12,812,500
Staff costs (excluding directors' remuneration)		
– Salaries and other benefits	**411,408,709**	381,477,950
– Retirement benefits scheme contributions	**22,332,418**	16,964,068
Total staff costs	**447,261,772**	411,254,518
Depreciation and amortisation on:		
– Owned assets	**78,608,323**	77,058,450
– Assets held under finance leases	**2,026,775**	4,928,520
– Leasehold land held for own use under finance leases	**1,241,431**	722,670
– Leasehold land and land use rights	**1,613,471**	1,509,428
– Intangible assets	**1,383,070**	461,023
Loss on disposal of property, plant and equipment	**310,003**	–
Deficit on revaluation of properties held for own use	**200,685**	16,536
Exchange loss, net	**513,773**	4,372,750
Auditors' remuneration		
– Current year	**2,856,613**	3,099,884
– Under (Over) provision in prior years	**223,031**	(4,400)
Operating lease payments – Land and buildings	**26,889,630**	24,524,806
and crediting:		
Rental income net of nil direct outgoings	**(594,753)**	(589,664)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	Total HK$
Executive directors				
Mr. Tang To	3,046,798	871,000	121,500	4,039,298
Mr. Wong Yiu Ming	5,325,597	2,080,000	216,000	7,621,597
Mr. Jiang Wei (1)	–	–	–	–
Mr. Tang Yu, Freeman (2)	–	1,435,000	16,750	1,451,750
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	60,000	–	–	60,000
Miss. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Wu Ding (3)	–	–	–	–
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei	60,000	–	–	60,000
Total	8,780,395	4,386,000	354,250	13,520,645

Notes:

(1) Resigned on 11th July, 2014.

(2) Mr. Tang Yu, Freeman is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(3) Resigned on 12th May, 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) **Directors' emoluments** *(Continued)*

	2013			
Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	Total HK$
Executive directors				
Mr. Tang To	3,479,000	1,051,000	148,500	4,678,500
Mr. Wong Yiu Ming [(1)]	4,240,000	2,080,000	216,000	6,536,000
Mr. Jiang Wei	60,000	–	–	60,000
Mr. Tang Yu, Freeman [(2)]	–	1,055,000	15,000	1,070,000
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	60,000	–	–	60,000
Miss. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Wu Ding	60,000	–	–	60,000
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei	60,000	–	–	60,000
Total	8,247,000	4,186,000	379,500	12,812,500

Notes:

(1) Mr. Wong Yiu Ming was also the chief executive of the Company up to 30th June, 2013 and his emoluments disclosed above include those for services rendered by him as the chief executive.

(2) On 1st July, 2013, Mr. Tang Yu, Freeman is appointed as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included two (2013: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2013: three) individuals are as follows:

	2014 HK$	2013 HK$
Salaries and other benefits	8,549,600	7,401,690
Retirement benefits scheme contributions	135,007	288,855
	8,684,607	7,690,545

The emoluments of the employees were within the following bands:

	Number of employees	
	2014	2013
HK$1,000,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$5,000,000	–	–
HK$5,000,001 to HK$6,000,000	1	–
	3	3

11. TAXATION

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2014	2013
	HK$	HK$
Current tax:		
Hong Kong profits tax		
Current year	**1,256,951**	2,282,003
Overprovision in prior years	**(116,672)**	(491,359)
	1,140,279	1,790,644
Overseas tax		
Current year	**10,538,308**	8,386,298
Underprovision in prior years	**838,176**	892,819
	11,376,484	9,279,117
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences (note 35)	**(4,933,418)**	(14,974,109)
Taxation charge (credit)	**7,583,345**	(3,904,348)

11. TAXATION *(Continued)*

The taxation on the Group's (loss) profit before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to (losses) profits of the consolidated companies as follows:

	2014 **HK$**	2013 HK$
(Loss) Profit before taxation	**(351,442)**	119,120,837
Tax calculated at the domestic income tax rate of 16.5% (2013: 16.5%)	**(57,988)**	19,654,938
Tax effect of share of results of associates	**7,939**	(350,808)
Tax effect of expenses that are not deductible in determining taxable profit	**9,672,490**	9,145,221
Tax effect of income that is not taxable in determining taxable profit	**(3,182,744)**	(42,677,645)
Underprovision of current tax in prior years, net	**721,504**	401,460
Tax effect of utilisation of deductible temporary differences not previously recognised	**(6,752,709)**	(11,430,144)
Tax effect of temporary differences/tax losses not recognised	**10,540,208**	23,380,170
Tax effect of utilisation of tax losses not previously recognised	**(3,225,738)**	(2,422,838)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(139,617)**	395,298
Taxation charge (credit)	**7,583,345**	(3,904,348)

12. (LOSS) PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The (loss) profit attributable to equity shareholders of the Company dealt with in the financial statements of the Company is the profit of HK$529,373,957 (2013: loss of HK$15,946,409).

13. OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX

Tax effects relating to each component of other comprehensive income

	2014			2013		
	Before tax amount HK$	Tax expenses HK$	Net-of-tax amount HK$	Before tax amount HK$	Tax expenses HK$	Net-of-tax amount HK$
Change in fair value of available-for-sale financial assets	112,137	–	112,137	(8,367)	–	(8,367)
Share of other comprehensive (expense) income of associates	(102,687)	–	(102,687)	7,195,484	–	7,195,484
Surplus on revaluation of properties held for own use	9,470,817	(1,474,459)	7,996,358	4,673,511	(857,265)	3,816,246
Exchange differences arising from translation of financial statements of foreign operations	(5,272,572)	–	(5,272,572)	32,665,425	–	32,665,425
Release of translation reserve upon dissolution/ deregistration of subsidiaries	–	–	–	1,312,863	–	1,312,863
Release of translation reserve upon disposal of associates	(1,588,938)	–	(1,588,938)	(43,542,822)	–	(43,542,822)
	2,618,757	(1,474,459)	1,144,298	2,296,094	(857,265)	1,438,829

14. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share

The calculation of basic (loss) earnings per ordinary share is based on the Group's (loss) profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Weighted average number of ordinary shares in issue during the year	**716,930,692**	716,930,692
(Loss) profit attributable to the equity shareholders of the Company	**(HK$33,301,502)**	HK$108,389,916
Basic (loss) earnings per share	**(4.65 cents)**	15.12 cents

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

15. DIVIDEND

(1) **Dividend payable to equity shareholders of the Company attributable to the year**

	2014 **HK$**	2013 HK$
Dividend proposed after the balance sheet date of HK$Nil (2013: HK$0.015) per share	**–**	10,753,960

(2) **Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2014 **HK$**	2013 HK$
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.015 (2013: Nil) per share	**10,753,960**	–

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
THE GROUP							
COST OR VALUATION							
At 1st January, 2013	25,706,000	341,094,000	214,879,190	649,133,202	43,734,635	2,014,459	1,276,561,486
Currency realignment	–	10,124,261	3,830,324	12,487,619	956,415	63,288	27,461,907
Acquired on acquisition of subsidiaries	–	–	5,839,115	–	–	–	5,839,115
Additions	–	2,589,081	14,139,397	19,397,241	2,764,512	24,339,186	63,229,417
Reclassifications	–	20,259,993	(8,021,787)	10,193,347	–	(22,431,553)	–
Disposals	–	–	(8,671,542)	(36,646,951)	(3,416,464)	–	(48,734,957)
Adjustment on revaluation	2,144,000	(9,401,335)	–	–	–	–	(7,257,335)
At 31st December, 2013 and 1st January, 2014	**27,850,000**	**364,666,000**	**221,994,697**	**654,564,458**	**44,039,098**	**3,985,380**	**1,317,099,633**
Currency realignment	**-**	**(1,155,785)**	**(401,094)**	**(1,213,548)**	**(104,952)**	**(13,686)**	**(2,889,065)**
Additions	**58,583,699**	**37,608,919**	**21,126,545**	**18,037,660**	**3,008,156**	**19,122,892**	**157,487,871**
Reclassifications	**-**	**45,857**	**(1,231,558)**	**17,769,972**	**(184,594)**	**(16,399,677)**	**-**
Disposals	**-**	**-**	**(15,230,386)**	**(9,931,119)**	**(6,081,857)**	**-**	**(31,243,362)**
Adjustment on revaluation	**3,704,301**	**(6,813,991)**	**-**	**-**	**-**	**-**	**(3,109,690)**
At 31st December, 2014	**90,138,000**	**394,351,000**	**226,258,204**	**679,227,423**	**40,675,851**	**6,694,909**	**1,437,345,387**
Analysis of cost or valuation:							
At 31st December, 2014							
At cost	**-**	**-**	**226,258,204**	**679,227,423**	**40,675,851**	**6,694,909**	**952,856,387**
At valuation	**90,138,000**	**394,351,000**	**-**	**-**	**-**	**-**	**484,489,000**
	90,138,000	**394,351,000**	**226,258,204**	**679,227,423**	**40,675,851**	**6,694,909**	**1,437,345,387**
At 31st December, 2013							
At cost	–	–	221,994,697	654,564,458	44,039,098	3,985,380	924,583,633
At valuation	27,850,000	364,666,000	–	–	–	–	392,516,000
	27,850,000	364,666,000	221,994,697	654,564,458	44,039,098	3,985,380	1,317,099,633

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

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
THE GROUP							
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st January, 2013	–	–	146,419,885	389,481,853	31,826,231	–	567,727,969
Currency realignment	–	349,762	2,310,019	7,507,015	642,997	–	10,809,793
Acquired on acquisition of subsidiaries	–	–	5,696,609	–	–	–	5,696,609
Reclassifications	–	–	1,562,320	(1,562,320)	–	–	–
Depreciation provided for the year	722,670	10,841,878	18,881,352	48,172,244	4,091,496	–	82,709,640
Written back on disposals	–	–	(7,524,683)	(36,646,951)	(2,981,666)	–	(47,153,300)
Eliminated on revaluation	(722,670)	(11,191,640)	–	–	–	–	(11,914,310)
At 31st December, 2013 and 1st January, 2014	-	-	167,345,502	406,951,841	33,579,058	-	607,876,401
Currency realignment	-	13,747	(199,832)	(569,454)	(61,581)	-	(817,120)
Reclassifications	-	-	659,331	(664,017)	4,686	-	-
Depreciation provided for the year	1,241,431	11,124,644	21,059,945	44,745,299	3,705,210	-	81,876,529
Written back on disposals	-	-	(13,064,279)	(9,374,616)	(5,615,414)	-	(28,054,309)
Eliminated on revaluation	(1,241,431)	(11,138,391)	-	-	-	-	(12,379,822)
At 31st December, 2014	-	-	175,800,667	441,089,053	31,611,959	-	648,501,679
NET BOOK VALUES							
At 31st December, 2014	90,138,000	394,351,000	50,457,537	238,138,370	9,063,892	6,694,909	788,843,708
At 31st December, 2013	27,850,000	364,666,000	54,649,195	247,612,617	10,460,040	3,985,380	709,223,232

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

The net book value of leasehold land held for own use under finance leases held by the Group:

	2014	2013
	HK$	HK$
In Hong Kong:		
– under medium-term leases	**90,138,000**	27,850,000

The leasehold land and buildings of the Group were revalued as at 31st December, 2014 on the open market existing use basis by Cushman & Wakefield Valuation Advisory Services (HK) Ltd., an independent firm of professional valuers. The surplus arising on revaluation attributable to the Group has been credited to the other comprehensive income for the year and is accumulated separately in equity in property revaluation reserve.

Depreciation expense of HK$56,172,583 (2013: HK$50,244,228) has been expensed in cost of goods sold, HK$2,356,772 (2013: HK$2,713,926) in selling and distribution costs and HK$23,347,174 (2013: HK$29,751,486) in administrative expenses.

Had leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been HK$395,116,240 (2013: HK$310,694,410).

The net book value of the Group's plant and machinery includes an amount of HK$30,195,425 (2013: HK$51,170,173) in respect of assets held under finance leases.

At 31st December, 2014, certain of the Group's leasehold land held for own use under finance leases and buildings with an aggregate carrying value of HK$64,400,000 (2013: Nil) and HK$110,800,000 (2013: HK$76,020,000) respectively were pledged to secure certain bank borrowings granted to the Group.

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

	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
THE COMPANY			
COST			
At 1st January, 2013	4,808,844	1,551,485	6,360,329
Additions	60,955	505,777	566,732
Disposals	(103,653)	(319,880)	(423,533)
At 31st December, 2013 and 1st January, 2014	**4,766,146**	**1,737,382**	**6,503,528**
Additions	**3,071,915**	**–**	**3,071,915**
Disposals	**(1,566,628)**	**–**	**(1,566,628)**
At 31st December, 2014	**6,271,433**	**1,737,382**	**8,008,815**
ACCUMULATED DEPRECIATION			
At 1st January, 2013	3,414,197	1,253,452	4,667,649
Depreciation provided for the year	649,750	200,499	850,249
Written back on disposals	(103,653)	(319,879)	(423,532)
At 31st December, 2013 and 1st January, 2014	**3,960,294**	**1,134,072**	**5,094,366**
Depreciation provided for the year	**316,656**	**200,499**	**517,155**
Written back on disposals	**(1,398,236)**	**–**	**(1,398,236)**
At 31st December, 2014	**2,878,714**	**1,334,571**	**4,213,285**
NET BOOK VALUES			
At 31st December, 2014	**3,392,719**	**402,811**	**3,795,530**
At 31st December, 2013	805,852	603,310	1,409,162

17. FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31st December, 2014 HK$	Fair value measurement at 31st December, 2014 categorised into Level 1 HK$	Level 2 HK$	Level 3 HK$	Fair value at 31st December, 2013 HK$
The Group					
Recurring fair value measurement					
Leasehold land held for own use under finance lease	90,138,000	–	–	90,138,000	27,850,000
Buildings held for own use	394,351,000	–	–	394,351,000	364,666,000

During the year ended 31st December, 2014, there were no transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

All of the Group's leasehold land held for own use under finance lease and buildings held for own use were revalued as at 31st December, 2014. The valuations were carried out by an independent firm of professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Ltd., which is a world-wide commercial real estate services firm with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at the annual reporting date.

17. FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(ii) Information about Level 3 fair value measurement

	Valuation techniques	Unobservable input	Range
Leasehold land held for own use under finance leases and buildings held for own use	(a) Direct comparison approach	(Discount) premium on quality of building	–40% to 15%
	(b) Income approach	Capitalisation rate	4% to 9.5%

(a) The fair value of properties located in Hong Kong and certain properties located in PRC is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

(b) The fair value of other properties in PRC is determined using income approach by the capitalization of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	HK$
Leasehold land held for own use under finance leases:	
At 1st January, 2014	27,850,000
Additions	58,583,699
Depreciation provided for the year	(1,241,431)
Surplus on revaluation	4,945,732
At 31st December, 2014	90,138,000
Buildings held for own use:	
At 1st January, 2014	364,666,000
Additions	37,608,919
Reclassification	45,857
Currency realignment	(1,169,532)
Depreciation provided for the year	(11,124,644)
Surplus on revaluation	4,324,400
At 31st December, 2014	394,351,000

17. FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(ii) **Information about Level 3 fair value measurement** *(Continued)*

Surplus on revaluation and currency adjustment of leasehold land held for own use under finance leases and buildings held for own use is recognised in other comprehensive income in "property revaluation reserve" and "translation reserve" respectively.

18. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2014	2013
	HK$	HK$
COST		
At 1st January	**68,992,424**	67,392,602
Currency realignment	**(177,765)**	1,599,822
At 31st December	**68,814,659**	68,992,424
ACCUMULATED AMORTISATION		
At 1st January	**12,721,584**	11,000,623
Currency realignment	**(21,417)**	211,533
Amortisation for the year	**1,613,471**	1,509,428
At 31st December	**14,313,638**	12,721,584
NET BOOK VALUE		
At 31st December	**54,501,021**	56,270,840
At 1st January	**56,270,840**	56,391,979

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2014	2013
	HK$	HK$
Outside Hong Kong held on:		
Medium-term leases	**54,501,021**	56,270,840

At 31st December, 2014, certain of the Group's land use rights with an aggregate carrying value of HK$8,851,816 (2013: HK$9,221,769) were pledged to secure certain bank borrowings granted to the Group (note 42).

19. GOODWILL

THE GROUP

	HK$
COST	
At 1st January, 2013	–
Acquisition of subsidiaries	53,483,406
At 31st December, 2013 and 31st December, 2014	53,483,406
ACCUMULATED IMPAIRMENT	
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	–
CARRYING AMOUNT	
At 31st December, 2014	53,483,406
At 31st December, 2013	53,483,406

Details of goodwill arising from the acquisition of 100% equity interest in KFE Hong Kong Co., Limited ("KFE") in 2013 are set out in note 37. For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing KFE, a subsidiary in the manufacturing and trading of printed circuit boards segment.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 18.73% (2013: 17.75%) per annum. The cash flows beyond that five-year period have been extrapolated using a steady 2.65% (2013: 2.65%) per annum growth rate. This growth rate is based on the printed circuit boards industry growth forecasts and does not exceed the average long-term growth rate for the printed circuit boards industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on KFE's past performance and management's expectations for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of KFE to exceed the aggregate recoverable amount of KFE.

The directors reviewed the carrying value of the goodwill, taking into account an independent valuation report prepared by a professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Ltd. Based on the assessment and the valuation report, the directors are of the opinion that no impairment loss is necessary as at 31st December, 2014.

20. INTANGIBLE ASSETS

THE GROUP

	Customer Relationship HK$
COST	
At 1st January, 2013	–
Acquisition of subsidiaries	13,830,693
At 31st December, 2013 and 31st December, 2014	13,830,693
ACCUMULATED AMORTISATION	
At 1st January, 2013	–
Amortisation for the year	461,023
At 31st December, 2013 and 1st January, 2014	461,023
Amortisation for the year	1,383,070
At 31st December, 2014	1,844,093
NET BOOK VALUE	
At 31st December, 2014	11,986,600
At 31st December, 2013	13,369,670

Customer relationship is amortised on a straight-line basis over its useful life of 10 years.

THE COMPANY

The Company has no intangible assets as at 31st December, 2014.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK$	HK$
Unlisted shares/capital contributions, at cost	**40,568,797**	40,179,796
Amounts due from subsidiaries	**1,134,488,626**	838,366,894
Less: Allowance for impairment of doubtful debts	**15,510,196**	15,510,196
	1,118,978,430	822,856,698
	1,159,547,227	863,036,494

Details of the Company's principal subsidiaries at 31st December, 2014 are set out in note 45.

Amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Other than the carrying amounts of HK$96,865,400 (2013: HK$69,750,000) which are interest bearing, the remaining balances are interest free. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from subsidiaries of HK$15,562,016 (2013: HK$15,547,761) were impaired. It is assessed that a small portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to subsidiaries which are in financial difficulties and they are of age over three years. The other amounts due from subsidiaries do not contain impaired assets.

The movements on the allowance for impairment of doubtful debts are as follows:

	THE COMPANY	
	2014	2013
	HK$	HK$
At 1st January	**15,510,196**	15,545,606
Impairment loss recognised	**–**	14,355
Uncollectible amount written off	**–**	(49,765)
At 31st December	**15,510,196**	15,510,196

21. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to all subsidiaries of Major Success Company Limited, which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014	2013
	HK$	HK$
NCI percentage	**48%**	48%
Current assets	**381,747,842**	352,232,855
Non-current assets	**188,992,477**	198,791,844
Current liabilities	**(258,808,972)**	(276,669,151)
Non-current liabilities	**(24,220,579)**	(31,646,113)
Equity	**287,710,768**	242,709,435
Carrying amount of NCI	**138,101,169**	116,500,529
Revenue	**856,609,291**	682,950,523
Profit for the year	**52,171,413**	32,972,210
Total comprehensive income	**52,001,333**	34,933,011
Profit allocated to NCI	**25,042,278**	15,826,661
Cash generated from operating activities	**66,854,784**	44,090,284
Cash (used in) generated from investing activities	**(20,106,789)**	1,574,107
Cash used in financing activities	**(20,211,341)**	(10,207,355)

22. INTERESTS IN ASSOCIATES

	THE GROUP 2014 HK$	2013 HK$
Unlisted shares, at cost	**9,716,266**	15,114,861
Share of post-acquisition profits and reserves, net of dividends received	**19,899,349**	15,715,270
	29,615,615	30,830,131
Amounts due from associates	**11,558,089**	14,513,306
	41,173,704	45,343,437

(a) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from associates do not contain impaired assets.

(b) Interests in associates at the balance sheet date include goodwill of HK$312,724 (2013: HK$312,724).

Details of the principal associates of the Group at 31st December, 2014 are as follows:

Name of associate	Place of incorporation/ registration and operation	Proportion of nominal value of registered capital attributable to the Group %	Principal activities
Suzhou Sanguang Science & Technology Co., Ltd	The PRC	21.13	Manufacturing of industrial machinery, equipment and supplies
Guangzhou Polyten Experimental Analysis Instrument Co., Ltd.	The PRC	22.50	Manufacturing and trading of the experimental analysis instrument

The interest in Dalian Huada Plastics Co., Ltd., a company incorporated in the PRC, has been disposed of by the Group during the year. Gain on disposal of an associate has been recognised in the consolidated income statement.

The above table lists out the associates of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

22. INTERESTS IN ASSOCIATES *(Continued)*

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

In the opinion of the directors of the Company, the associates of the Group are all individually not material. Aggregate financial information in respect of the Group's associates is set out below:

	2014	2013
	HK$	HK$
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**29,615,615**	30,830,131
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**358,021**	650,507
Other comprehensive income	**(89,667)**	984,640
Total comprehensive income	**268,354**	1,635,147

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2014	2013
	HK$	HK$
Unlisted equity securities, at cost	**6,376,006**	6,376,006
Impairment losses	**(6,376,006)**	(6,376,006)
	–	–
Listed equity securities outside Hong Kong, at market value	**606,528**	494,391
	606,528	494,391

Unlisted equity securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Changes in listed equity securities are recognised in other comprehensive income.

As at 31st December, 2014, all of the Group's unlisted available-for-sale equity securities were individually determined to be fully impaired on the basis of a material decline in their recoverable amounts below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investments in them may not be recovered. Impairment loss of HK$Nil (2013: HK$6,201,946) on these investments were recognised in profit or loss in accordance with the policy set out in note 2(h)(i).

24. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Amounts receivable under finance lease:				
Within 1 year	**25,321,513**	–	**22,395,929**	–
Between 2 to 5 years	**15,049,623**	–	**14,102,642**	–
	40,371,136	–	**36,498,571**	–
Less: Unearned finance income	**3,872,565**	–	**N/A**	–
Present value of minimum lease receipts	**36,498,571**	–	**36,498,571**	–
Less: Current finance lease receivables under current assets			**22,395,929**	–
Non-current finance lease receivables			**14,102,642**	–

The Group has entered into finance lease arrangements with customers in respect of plant and equipment sold to them. The terms of finance leases entered into for terms ranging from one to three years.

All leases are on a fixed repayment basis and there were no unguaranteed residual values in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 31st December, 2014 (2013: Nil)

Finance lease receivable balances are secured over the plant and equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is ranging from 11.40% to 18.60% per annum (2013: Nil).

The finance lease receivables as at 31st December, 2014 are neither past due nor impaired.

25. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	THE GROUP	
	2014	2013
	HK$	HK$
Trading inventories and finished goods	**291,188,954**	273,232,853
Work in progress	**138,124,904**	136,623,745
Raw materials	**226,996,406**	231,118,092
	656,310,264	640,974,690

At 31st December, 2014, the carrying amount of inventories that were stated at fair value less costs to sell is HK$247,871,128 (2013: HK$172,561,410).

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
Carrying amount of inventories sold	**2,049,032,683**	2,053,004,644
Write-down of inventories	**14,168,434**	61,085,745
Reversal of write-down of inventories	**(8,934,266)**	(4,555,380)
	2,054,266,851	2,109,535,009

26. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2014	2013
	HK$	HK$
Trade and bills receivables	**728,430,834**	773,902,111
Less: allowance for impairment of bad and doubtful debts	**88,770,355**	84,164,963
	639,660,479	689,737,148
Other receivables	**73,440,195**	65,304,815
Less: allowance for impairment of bad and doubtful debts	**18,884,269**	20,019,714
	54,555,926	45,285,101
Prepayments	**49,077,651**	58,859,994
Amounts due from related parties	**42,750**	265,685
	743,336,806	794,147,928

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoiced date and net of allowances, at the balance sheet date is as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
0 to 3 months	**419,856,904**	475,278,450
4 to 6 months	**95,064,166**	95,312,182
7 to 9 months	**35,324,933**	55,055,974
Over 9 months	**89,414,476**	64,090,542
	639,660,479	689,737,148

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The movements on the allowance for impairment of bad and doubtful debts of the Group are as follows:

	Trade receivables	
	2014	2013
	HK$	HK$
At 1st January	**84,164,963**	71,914,921
Currency realignment	**(244,356)**	2,009,167
Impairment loss recognised	**10,537,680**	19,286,391
Unused amounts reversed	**(3,151,585)**	(3,480,000)
Uncollectible amounts written off	**(2,536,347)**	(5,565,516)
At 31st December	**88,770,355**	84,164,963

	Other receivables	
	2014	2013
	HK$	HK$
At 1st January	**20,019,714**	18,122,438
Currency realignment	**(64,926)**	573,999
Impairment loss recognised	**792,727**	9,883,845
Unused amounts reversed	**(1,749,617)**	–
Uncollectible amounts written off	**(113,629)**	(8,560,568)
At 31st December	**18,884,269**	20,019,714

The above allowance for impairment of bad and doubtful debts is a provision for individually impaired trade receivables and fully impaired other receivables. The individually impaired trade receivables mainly represent sales made to the PRC customers which have remained long overdue. The fully impaired other receivables relate to debtors that have been long outstanding without settlement or having any business relationship with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

At 31st December, 2014, trade and bills receivables of HK$110,593,206 (2013: HK$92,080,559) were impaired. The amount of allowance was HK$88,770,355 as at 31st December, 2014 (2013: HK$84,164,963). It is assessed that a portion of the receivables is expected to be recovered.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of the trade and bills receivables that are considered to be impaired is as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
Less than 6 months past due	**13,477,306**	7,522,252
6 months to 1 year past due	**7,789,837**	1,919,728
1 year to 3 years past due	**21,191,502**	18,511,859
Over 3 years past due	**68,134,561**	64,126,720
	110,593,206	92,080,559

The ageing analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
Neither past due nor impaired	**462,551,686**	523,668,796
Less than 6 months past due	**97,230,969**	126,191,697
6 months to 1 year past due	**19,163,624**	20,603,968
1 year to 3 years past due	**33,152,861**	10,967,540
Over 3 years past due	**5,738,488**	389,551
	617,837,628	681,821,552

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

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

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are the following amounts denominated in the following currencies:

	THE GROUP	
	2014	2013
United States Dollars	**26,165,758**	29,966,937
Renminbi	**390,726,647**	385,984,653
Japanese Yen	**102,769,760**	80,281,360

27. OTHER FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Held-for-trading investments				
Unlisted unit trust funds, at fair value *(note a)*	**30,018,229**	–	**–**	–
Financial assets designated as at fair value through profit or loss				
Structured deposits *(note b)*	**119,438,944**	–	**119,438,944**	–
Other short-term investment				
Unlisted debt securities *(note c)*	**25,352,720**	–	**–**	–
	174,809,893	–	**119,438,944**	–

Note a: The fair values of the unlisted unit trust funds were based on net asset value of the investment funds at the balance sheet date provided by the financial institution.

Note b: The structured deposits are designated at fair value through profit or loss on initial recognition as they contain embedded derivatives. The structured deposits were denominated in Renminbi ("RMB") with the aggregate principal amounts of RMB94,070,631 (equivalent to HK$119,438,944) with banks carrying variable expected return ranging from 0% to 7% per annum with maturity period of one year. All structured deposits were fully redeemed at the principal amounts with Nil interest upon their maturities in January and March 2015.

At 31st December, 2014, a structured deposit of RMB53,070,631 (equivalent to HK$67,463,244) was pledged to a bank to secure general banking facilities granted to the Group.

The directors consider the fair value of the structured deposits, which are based on the quoted prices provided by financial institutions at the balance sheet date, approximate to their carrying values. The change in fair value up to the date of redemption is not significant.

Note c: The debt securities were denominated in RMB with a maturity date of 10th January, 2015 and there is no public market for the investment.

The estimated return from the debt securities was 5.25 per annum. The directors of the Company consider that the carrying value of other short-term investment approximate to their fair value at the year ended date.

28. CASH AND BANK BALANCES

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Short-term bank deposits with maturity over three months *(Note (a))*	**–**	80,034,812	**–**	80,034,812
Pledged bank deposits *(Note (b))*	**157,394,267**	219,552,949	**103,470,927**	167,044,864
Cash and cash equivalents *(Note (c))*	**352,875,341**	450,826,912	**33,524,738**	165,236,862
	510,269,608	750,414,673	**136,995,665**	412,316,538

(a) **Short-term bank deposits with maturity over three months**

Included in short-term bank deposits with maturity over three months in the balance sheets are the following amounts denominated in the following currency:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
Renminbi	**–**	63,068,094	**–**	63,068,094

(b) **Pledged bank deposits**

Included in pledged bank deposits in the balance sheets are the following amounts denominated in the following currency:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
Renminbi	**123,752,402**	172,483,837	**81,529,402**	131,516,337

28. CASH AND BANK BALANCES *(Continued)*

(c) Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Bank balances and cash	**352,875,341**	450,826,912	**33,524,738**	165,236,862

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	THE GROUP	
	2014	2013
	HK$	HK$
Bank balances and cash per above	**352,875,341**	450,826,912
Bank overdrafts *(note 33)*	**(23,774,314)**	(5,811,658)
	329,101,027	445,015,254

Included in bank balances and cash in the balance sheets are the following amounts denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
United States Dollars	**6,693,499**	4,798,260	**3,316**	3,315
Renminbi	**204,763,605**	249,664,253	**25,729,950**	93,926,807
Japanese Yen	**88,672,101**	15,168,600	**–**	–
Euro Dollars	**36,578**	23,023	**–**	–

29. TRADE AND OTHER PAYABLES

	THE GROUP	
	2014	2013
	HK$	HK$
Trade and bills payables	**559,083,991**	636,033,423
Accruals and other payables	**275,197,826**	254,546,274
Amounts due to related parties	**9,600,000**	9,600,000
	843,881,817	900,179,697

The directors consider that the carrying amount of trade and other payables approximates to their fair values. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
0 to 3 months	**424,650,419**	478,975,605
4 to 6 months	**84,178,212**	100,532,892
7 to 9 months	**31,839,100**	46,018,839
Over 9 months	**18,416,260**	10,506,087
	559,083,991	636,033,423

Included in trade and other payables are the following amounts denominated in the following currencies:

	THE GROUP	
	2014	2013
United States Dollars	**10,392,097**	12,958,732
Renminbi	**537,167,333**	552,947,329
Japanese Yen	**107,774,669**	97,789,239
Euro Dollars	**136,187**	152,401

30. SHARE CAPITAL

At 31st December, 2013, 1,000,000,000 ordinary shares, with par value of $0.40 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March, 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3rd March, 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

	2014		2013	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.40 each	–	–	1,000,000,000	400,000,000
Ordinary shares, issued and fully paid:				
At 1st January	**716,930,692**	**286,772,277**	716,930,692	286,772,277
Transition to no-par value regime on 3rd March, 2014 *(note 32)*	–	**246,130,914**	–	–
At 31st December	**716,930,692**	**532,903,191**	716,930,692	286,772,277

The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

31. SHARE OPTION SCHEME

On 30th May, 2005, the shareholders of the Company adopted a share option scheme (the "Scheme") which will expire on 29th May, 2015 for the primary purpose of providing incentives to selected participants including directors, full-time employees of the Group, chief executive, associates of executive director or chief executive, consultants, professional and other advisers of the Group (the "Participants"). Under the Scheme, the board of directors of the Company may at its discretion offer options to the Participants to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price is determined by the directors of the Company and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the 5 business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

Unless a prior approval from the Company's shareholders is sought, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 70,622,885 shares, being 10% of the shares of the Company in issue as at the date of shareholders' approval of the Scheme and represents 9.85% of the issued share capital of the Company as at the date of this annual report.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

During the year ended 31st December, 2014, no option was granted, exercised or cancelled, nor were there any outstanding options at the beginning and at the end of the year.

31. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's share options held by directors and employees and movements in the Scheme during the year ended 31st December, 2013.

				Number of share options				
Grantee	Date of grant[(1)]	Exercisable period	Exercise price per share HK$	Outstanding and exercisable at 31.12.2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable 31.12.2013
Director								
Mr. Wong Yiu Ming	24.05.2010	15.06.2010–14.06.2013	0.66	6,000,000	–	–	(6,000,000)	–
Employees								
In aggregate	24.05.2010	25.05.2010–19.06.2013[(2)]	0.66	8,000,000	–	–	(8,000,000)	–
				14,000,000	–	–	(14,000,000)	–

Notes:

(1) The closing price of the Company's shares on the trading day, 24th May, 2010, being the date of grant of options was HK$0.62.

(2) The exercisable period of share options granted to employees is 3 years commencing from the respective dates of acceptance of each particular employee which varied from 25th May, 2010 to 20th June, 2010.

(3) All options were lapsed during the year ended 31st December, 2013 and no option outstanding at 31st December, 2013 had a weighted average remaining contractual life (2012: 0.5 years).

(4) No option was granted, exercised or cancelled during the year ended 31st December, 2013.

31. SHARE OPTION SCHEME *(Continued)*

In determining the share option benefit expense, management appointed RHL Appraisal Limited which used The Hull White Trinomial Model (the "Model") to provide a valuation report of the share option benefit expense. The Company has used the Model with the consideration of vesting period and possible exercise pattern to certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. Details of the fair values of share options determined at the date of grant on 24th May, 2010 using the Model with the inputs are as follows:

	Directors	Employees
Exercise price	HK$0.66	HK$0.66
Dividend yield	Nil	Nil
Expected volatility	68.95%	69.52%
Risk-free-interest rate	1.178%	0.924%
Expected life of option	3	3
Expected multiple	1.05714	1.03928
Closing share price at valuation date	HK$0.66	HK$0.62
Fair value of share option at valuation date	HK$0.033	HK$0.022

The expected volatility, which is based on the approximate weekly historical volatility of closing prices of the share of the Company in the past one year immediately before the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The risk free rates are based on 1 year yield of Hong Kong Exchange Fund Notes as at valuation date. Dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company. Dilution effect is factored for the valuation of the share options based on the outstanding shares as of the valuation date. No other features of options grant were incorporated into the measurement of fair value.

32. RESERVES

THE COMPANY

	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Retained profits HK$	Proposed final dividend HK$	Total HK$
Balance at 1st January, 2013	246,094,114	36,800	379,677	86,797,381	–	333,307,972
Loss for the year *(note 12)*	–	–	–	(15,946,409)	–	(15,946,409)
Lapse of share options	–	–	(379,677)	379,677	–	–
Proposed final dividend	–	–	–	(10,753,960)	10,753,960	–
Balance at 31st December, 2013	**246,094,114**	**36,800**	**-**	**60,476,689**	**10,753,960**	**317,361,563**
Profit for the year *(note 12)*	**-**	**-**	**-**	**529,373,957**	**-**	**529,373,957**
Transition to no-par value regime on 3rd March, 2014	**(246,094,114)**	**(36,800)**	**-**	**-**	**-**	**(246,130,914)**
2013 final dividend paid	**-**	**-**	**-**	**-**	**(10,753,960)**	**(10,753,960)**
Balance at 31st December, 2014	**-**	**-**	**-**	**589,850,646**	**-**	**589,850,646**

Prior to 3rd March, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3rd March, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 30). The use of share capital as from 3rd March, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

33. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Non-current				
Bank borrowings				
– secured	**55,275,000**	–	**–**	–
Current				
Bank borrowings				
– secured	**229,002,791**	182,325,108	**145,000,000**	95,000,000
– unsecured	**225,335,254**	249,991,371	**30,000,000**	30,000,000
Bank overdrafts *(note 28)*				
– unsecured	**23,774,314**	5,811,658	**16,027,484**	3,713,667
	478,112,359	438,128,137	**191,027,484**	128,713,667
Total borrowings	**533,387,359**	438,128,137	**191,027,484**	128,713,667

At 31st December, 2014, the bank borrowings were repayable as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Within 1 year	**478,112,359**	438,128,137	**191,027,484**	128,713,667
Between 1 and 2 years	**10,050,000**	–	**–**	–
Between 2 and 5 years	**45,225,000**	–	**–**	–
Over 5 years	**–**	–	**–**	–
	533,387,359	438,128,137	**191,027,484**	128,713,667

The aggregate carrying amount of the Group's bank loans as at 31st December, 2014 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause) that have been reclassified as current liabilities is HK$19,088,078 (2013: HK$20,601,770).

The aggregate carrying amount of the Company's bank loans as at 31st December, 2014 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause) that have been reclassified as current liabilities is HK$Nil (2013: HK$Nil).

These loans are callable by the lenders, but the management does not expect the lenders to exercise their rights to demand repayment in normal circumstances.

The non-current bank borrowings are stated at amortised cost.

33. BANK BORROWINGS *(Continued)*

The effective interest rate as at 31st December, 2014 for bank borrowings and overdrafts is 3.14% per annum (2013: 3.67% per annum).

The carrying amounts of borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Hong Kong Dollars	**426,398,882**	294,617,601	**191,027,484**	128,713,667
Renminbi	**106,988,477**	128,751,441	**–**	–
USD	**–**	14,759,095	**–**	–
	533,387,359	438,128,137	**191,027,484**	128,713,667

The Group has the following undrawn borrowing facilities:

	2014	2013
	HK$	HK$
Floating rate		
– expiring within one year	**659,412,661**	567,682,357

The facilities expiring within one year are annual facilities subject to review at various dates during 2014.

Bank borrowings are secured by certain buildings and leasehold land and land use rights of the Group (notes 16 and 18).

34. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Amounts payable under finance lease:				
Within 1 year	**9,225,614**	13,430,997	**8,752,156**	12,911,338
Between 2 to 5 years	**8,410,019**	5,489,265	**8,179,508**	5,193,701
	17,635,633	18,920,262	**16,931,664**	18,105,039
Less: Future finance charges	**703,969**	815,223	**N/A**	N/A
Present value of minimum lease payments	**16,931,664**	18,105,039	**16,931,664**	18,105,039
Less: Amount due for settlement within 1 year under current liabilities			**8,752,156**	12,911,338
Amount due for settlement after 1 year			**8,179,508**	5,193,701

It is the Group's policy to lease certain of its plant and machinery under finance leases. The lease term is expiring from three to four years. For the year ended 31st December, 2014, the average effective borrowing rate was 2.8 % per annum (2013: 2.85% per annum). Interest is charged at one month HIBOR +1.5% to 4.4% per annum (2013: one month HIBOR to 5.75% per annum) on the outstanding loan balances. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

THE COMPANY

The Company has no obligations under finance leases for both of the year end dates.

35. DEFERRED TAXATION

THE GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

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

	Intangible assets arising from business combination HK$	Accelerated tax depreciation HK$	Revaluation of land and building HK$	Tax losses HK$	Others HK$	Total HK$
At 1st January, 2013	–	(3,839,394)	(6,072,550)	856,610	6,520,579	(2,534,755)
Currency realignment	–	(136,539)	(52,634)	–	299,547	110,374
Through acquisition of subsidiaries *(note 37)*	(2,282,064)	–	–	130,144	–	(2,151,920)
Charged to equity	–	–	(857,265)	–	–	(857,265)
Credited/(charged) to income statement *(note 11)*	76,068	(1,724,086)	(3,186)	(856,610)	17,481,923	14,974,109
At 31st December, 2013 and 1st January, 2014	**(2,205,996)**	**(5,700,019)**	**(6,985,635)**	**130,144**	**24,302,049**	**9,540,543**
Currency realignment	**-**	**(2,452)**	**20,257**	**7,666**	**(47,038)**	**(21,567)**
Charged to equity	**-**	**-**	**(1,474,459)**	**-**	**-**	**(1,474,459)**
Credited/(charged) to income statement *(note 11)*	**228,206**	**(406,793)**	**-**	**2,595,543**	**2,516,462**	**4,933,418**
At 31st December, 2014	**(1,977,790)**	**(6,109,264)**	**(8,439,837)**	**2,733,353**	**26,771,473**	**12,977,935**

For the purposes of balance sheet presentation, certain deferred tax assets (liabilities) have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances shown in the consolidated balance sheet:

	2014 HK$	2013 HK$
Deferred tax assets	**39,608,462**	25,970,125
Deferred tax liabilities	**(26,630,527)**	(16,429,582)
	12,977,935	9,540,543

35. DEFERRED TAXATION *(Continued)*

THE GROUP *(Continued)*

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31st December, 2014, the Group has unrecognised tax losses of HK$489,077,242 (2013: HK$376,051,650) available for offset against future profits. Included in unrecognised tax losses are losses of HK$133,779,692 (2013: HK$108,796,067) that will expire in five years and the remaining balance does not expire under the current tax legislation. Temporary differences arising in connection with interests in associates are insignificant.

THE COMPANY

At 31st December, 2014, the Company has unutilised tax losses of HK$186,898,645 (2013: HK$175,414,755) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation. The Company has no significant unprovided deferred tax liabilities at both of the year end dates.

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment with an aggregate cost of HK$157,487,871 (2013: HK$63,229,417) of which HK$14,198,835 was acquired by means of finance leases (2013: HK$2,812,968). Cash payments of HK$143,289,036, including those payments of HK$30,440,550 made as shown in note 37(a), were made to purchase property, plant and equipment (2013: HK$60,416,449).

37. ACQUISITION OF SUBSIDIARIES

(a) **Acquisition of assets through acquisition of subsidiaries**

In 2014, Happy Crowd Godown Limited, a wholly-own subsidiary of the Company, entered into sale and purchase agreements with vendors which are independent third parties, to acquire 100% of the issued share capital and shareholders' loans of State Good Inc Limited, Triumph Time Inc Limited, Joint Easy Limited, Citron Holdings Limited and First Cosmos Limited ("Target Companies") at a total consideration of HK$30,440,550. The acquisition was completed on 28th March, 2014. Further details are set out in the Company's circular dated 28th March, 2014.

The principal activities of the Target Companies are engaged in property investment. On the date of acquisition, the Target Companies had not carried out any significant operations. In the opinion of the directors of the Company, the above acquisition did not constitute a business combination in accordance with HKFRS 3 "Business Combination". As such the acquisition is in substance an acquisition of assets, the transaction was accounted for as acquisition of assets through acquisition of subsidiaries.

Assets and liabilities recognised at the date of acquisition are as follows:

	HK$
Net assets recognised:	
Equitable interest in properties contracted for purchase, net of balance payment of HK$64,327,200 (including deposit and ad valorem stamp duty paid for acquisition of properties of HK$22,345,085)	30,440,550
Shareholders' loans	(22,345,085)
	8,095,465
Add: Assignment of the shareholders' loans	22,345,085
	30,440,550
Satisfied by:	
Cash consideration paid	30,440,550
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid in cash	30,440,550

Acquisition-related costs of HK$352,864 have been excluded from the consideration transferred and have been charged to administrative expenses in the consolidated income statement for the year ended 31st December, 2014.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business

In 2013, Gainbase Industrial (Holding) Limited, a 52% owned subsidiary of the Company, entered into a sale and purchase agreement with MA International Co., Limited, an independent third party, to acquire 100% of the issued share capital of KFE, a company incorporated in Hong Kong, at a total consideration of US$2,400,000 (approximately HK$18,672,000). KFE and its subsidiaries are principally engaged in trading of laminates and printed circuit boards. The acquisition was completed on 14th August, 2013.

The following table summarises the consideration paid for the above acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	KFE carrying amount before combination HK$	Fair value adjustments HK$	Fair value HK$
Total consideration satisfied by:			
Cash consideration of US$600,000			4,668,000
Fair value of the deferred consideration payable of US$1,800,000 (HK$14,004,000)			13,175,728
			17,843,728
Less: Recognised amounts of identifiable assets acquired and liability assumed:			
Property, plant and equipment *(note 16)*	142,506	–	142,506
Intangible assets (customer relationship) *(note 20)*	–	13,830,693	13,830,693
Investment in an associate	279,224	–	279,224
Deferred tax assets *(note 35)*	130,144	–	130,144
Inventories	1,694,725	–	1,694,725
Trade and other receivables	72,085,629	–	72,085,629
Pledged bank deposits	401,183	–	401,183
Cash and cash equivalents	4,555,159	–	4,555,159
Trade and other payables	(103,841,504)	–	(103,841,504)
Amount due to an associate	(247,793)	–	(247,793)
Amount due to a former shareholder	(2,334,000)	–	(2,334,000)
Bank borrowings	(20,053,580)	–	(20,053,580)
Deferred tax liabilities arising from intangible assets acquired *(note 35)*	–	(2,282,064)	(2,282,064)
Total net identifiable assets and liabilities	(47,188,307)	11,548,629	(35,639,678)
Goodwill *(note 19)*			53,483,406

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business *(Continued)*

Acquisition of a subsidiary, net of cash and cash equivalents acquired

	HK$
Cash consideration paid	(4,668,000)
Cash and cash equivalents acquired	4,555,159
Net cash outflow from acquisition of a subsidiary	(112,841)

The fair values of trade receivables and other receivables were HK$69,571,133 and HK$2,514,496 respectively. The gross contractual amount for trade receivables due was HK$77,010,423, of which HK$7,439,290 was expected to be uncollectible. The gross contractual amount for other receivables due was HK$17,169,884, of which HK$14,655,388 was expected to be uncollectible.

The revenue and profit for the year included in the consolidated profit or loss since the acquisition date contributed by the above acquired subsidiary amounted to approximately HK$125,941,000 and HK$12,660,000 respectively.

Had the acquisition been completed on 1st January, 2013, total Group's revenue and profit for the year ended 31st December 2013 would be approximately HK$2,655,936,000 and HK$137,080,000 respectively.

Acquisition-related costs of HK$885,715 have been charged to administrative expenses in the consolidated income statement for the year ended 31st December, 2013.

Goodwill arose in the acquisition of KFE because the cost of the combination included a control premium paid to acquire its business. In addition, the consideration paid for the combination included amounts in relation to the benefit of expected synergies to be achieved from integrating the subsidiary into the Group's existing business, future market development and the assembled workforce of KFE. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Pursuant to the sale and purchase agreement, the deferred consideration payable is interest-free and payable by 36 months instalments from date of completion of the acquisition. The fair value adjustment of the deferred consideration payable on initial recognition was estimated to be HK$828,272 based on an effective interest rate of 4% per annum.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2014	2013
	HK$	HK$
Within 1 year	**17,950,187**	22,919,088
Between 2 to 5 years	**45,909,232**	20,525,387
Over 5 years	**81,967,828**	15,809,120
	145,827,247	59,253,595

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and plant and machinery. Leases are negotiated mostly for terms of ranging from 1 to 10 years and rentals are almost fixed for the said term.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	THE GROUP	
	2014	2013
	HK$	HK$
Within 1 year	**342,750**	254,388

The Company as lessee

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE COMPANY	
	2014	2013
	HK$	HK$
Within 1 year	**–**	7,719,855

39. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Capital expenditure:				
Authorised but not contracted for	**–**	94,767,750	**–**	–
Contracted but not provided for	**5,932,600**	6,593,793	**–**	–
	5,932,600	101,361,543	**–**	–

40. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	**–**	–	**274,678,898**	214,536,568

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2014 and 31st December, 2013.

41. RETIREMENT BENEFITS SCHEMES

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

For members of the MPF Scheme, the Group contributes 5.0% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

41. RETIREMENT BENEFITS SCHEMES *(Continued)*

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5.0% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute 16% – 20% of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK$22,686,668 (2013: HK$17,343,568) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2014, contributions of HK$ 2,729,070 (2013: HK$2,947,180) due in respect of the reporting period had not been paid over to the schemes.

42. PLEDGE OF ASSETS

At the balance sheet date, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2014 **HK$**	2013 HK$
Buildings	**110,800,000**	76,020,000
Leasehold land held for own use under finance leases	**64,400,000**	–
Leasehold land and land use rights	**8,851,816**	9,221,769
Plant and machinery	**30,195,425**	51,170,173
Other financial assets	**67,463,244**	–
Bank deposits	**157,394,267**	219,552,949
	439,104,752	355,964,891

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Financial instruments by categories**

The accounting policies for financial instruments have been applied to the line items below:

THE GROUP

	Loans and receivables HK$	Available-for-sale financial assets HK$	Financial assets designated as at fair value through profit or loss HK$	Total HK$
Assets as per consolidated balance sheet				
31st December, 2014				
Available-for-sale financial assets	**–**	**606,528**	**–**	**606,528**
Unlisted unit trust funds	**–**	**–**	**30,018,229**	**30,018,229**
Structured deposits	**–**	**–**	**119,438,944**	**119,438,944**
Unlisted debt securities	**25,352,720**	**–**	**–**	**25,352,720**
Amounts due from associates	**11,558,089**	**–**	**–**	**11,558,089**
Finance lease receivables	**36,498,571**	**–**	**–**	**36,498,571**
Trade and other receivables	**694,259,155**	**–**	**–**	**694,259,155**
Pledged bank deposits	**157,394,267**	**–**	**–**	**157,394,267**
Cash and cash equivalents	**352,875,341**	**–**	**–**	**352,875,341**
	1,277,938,143	**606,528**	**149,457,173**	**1,428,001,844**
31st December, 2013				
Available-for-sale financial assets	–	494,391	–	494,391
Amounts due from associates	14,513,306	–	–	14,513,306
Trade and other receivables	735,287,934	–	–	735,287,934
Pledged bank deposits	219,552,949	–	–	219,552,949
Short-term bank deposits with maturity over three months	80,034,812	–	–	80,034,812
Cash and cash equivalents	450,826,912	–	–	450,826,912
	1,500,215,913	494,391	–	1,500,710,304

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments by categories *(Continued)*

THE GROUP

	Financial liabilities at amortised cost HK$
Liabilities as per consolidated balance sheet	
31st December, 2014	
Trade and other payables	**716,662,946**
Amounts due to associates	**480,940**
Bank borrowings	**533,387,359**
Obligations under finance leases	**16,931,664**
Deferred consideration payable	**7,876,974**
Total	**1,275,339,883**
31st December, 2013	
Trade and other payables	785,774,223
Amounts due to associates	480,877
Bank borrowings	438,128,137
Obligations under finance leases	18,105,039
Deferred consideration payable	11,788,487
Total	1,254,276,763

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) **Financial instruments by categories** *(Continued)*

THE COMPANY

	Loans and receivables HK$	Financial assets designated as at fair value through profit or loss HK$	Total HK$
Assets as per balance sheet			
31st December, 2014			
Amounts due from subsidiaries	**1,118,978,430**	**–**	**1,118,978,430**
Other receivables	**6,929,707**	**–**	**6,929,707**
Structured deposits	**–**	**119,438,944**	**119,438,944**
Pledged bank deposits	**103,470,927**	**–**	**103,470,927**
Cash and cash equivalents	**33,524,738**	**–**	**33,524,738**
	1,262,903,802	**119,438,944**	**1,382,342,746**
31st December, 2013			
Amounts due from subsidiaries	822,856,698	–	822,856,698
Other receivables	8,199,612	–	8,199,612
Short-term bank deposits with maturity over three months	80,034,812	–	80,034,812
Pledged bank deposits	167,044,864	–	167,044,864
Cash and cash equivalents	165,236,862	–	165,236,862
	1,243,372,848	–	1,243,372,848

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) **Financial instruments by categories** *(Continued)*

THE COMPANY

	Financial liabilities at amortised cost HK$
Liabilities as per balance sheet	
31st December, 2014	
Other payables	**1,386,506**
Amounts due to subsidiaries	**111,628,874**
Amount due to an associate	**233,912**
Bank borrowings	**191,027,484**
Total	**304,276,776**
31st December, 2013	
Other payables	1,440,498
Amounts due to subsidiaries	549,138,827
Amount due to an associate	233,912
Bank borrowings	128,713,667
Total	679,526,904

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as summarised below.

(i) *Foreign currency risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, Hong Kong dollars ("HK$"), United States Dollars ("US$") and Japanese Yen ("YEN"). Such exposures arise from sales or purchases by subsidiaries other than the subsidiaries' functional currencies. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency. In addition, certain recognised assets and liabilities are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy.

Certain assets and liabilities of the Group are principally denominated in US$. HK$ is pegged to US$, and thus foreign exchange exposure is considered as minimal.

At 31st December, 2014, if HK$ had strengthened/weakened by 10% against the RMB, with all other variables held constant, post-tax loss (2013: profit) for the year would have been approximately HK$34,868,000 higher or lower (2013: HK$11,646,000 lower or higher). There will be no impact on other components of equity.

At 31st December, 2014, if HK$ had strengthened/weakened by 10% against the YEN, with all other variables held constant, post-tax loss (2013: profit) for the year would have been approximately HK$248,000 higher or lower (2013: HK$2,000 higher or lower). There will be no impact on other components of equity.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

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

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Interest rate risk

Except for pledged bank deposits, short-term bank deposits and cash and cash equivalents (note 28), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime or HIBOR arising from the Group's borrowings denominated in HK$ and RMB.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates and finance lease receivables expose the Group to fair value interest-rate risk. Details of the Group's borrowings and finance lease receivables have been disclosed in note 33 and 24 respectively.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank borrowings at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

At 31st December, 2014, if interest rates on HK$-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss (2013: profit) for the year would have been approximately HK$2,065,000 higher/lower (2013: HK$1,334,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st December, 2014, if interest rates on RMB-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss (2013: profit) for the year would have been approximately HK$447,000 higher/lower (2013: HK$474,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The above changes in interest rates represent management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2013.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(iv) Credit risk

The Group's credit risk is principally attributable to trade and other receivables, finance lease receivables and amounts due from associates.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

Before accepting any new finance lease borrowers, the Group assesses the credit quality of each potential finance lease borrower and defined limits for each finance lease borrower. The Group also demands certain finance lease borrowers to place security deposits with the Group at the time the finance lease arrangement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease borrower with reference to the repayment schedule from the date of finance lease was initially granted up to the balance sheet date to determine the recoverability of a finance lease receivable.

The credit risk on bank balances is limited because the counterparties are reputable banks with high quality external credit ratings in Hong Kong and the PRC.

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The tables below categorised the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flow payments of the Group and the Company.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(v) *Liquidity risk (Continued)*

The Group

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31st December, 2014					
Trade and other payables	**716,662,946**	**–**	**–**	**–**	**716,662,946**
Amounts due to associates	**480,940**	**–**	**–**	**–**	**480,940**
Deferred consideration payable	**5,057,000**	**3,112,000**	**–**	**–**	**8,169,000**
Obligations under finance leases	**9,225,614**	**5,784,405**	**2,625,614**	**–**	**17,635,633**
Bank borrowings	**481,799,907**	**11,002,947**	**46,811,933**	**–**	**539,614,787**
Total	**1,213,226,407**	**19,899,352**	**49,437,547**	**–**	**1,282,563,306**
At 31st December, 2013					
Trade and other payables	785,774,223	–	–	–	785,774,223
Amounts due to associates	480,877	–	–	–	480,877
Deferred consideration payable	4,668,000	4,668,000	3,112,000	–	12,448,000
Obligations under finance leases	13,430,997	4,274,625	1,214,640	–	18,920,262
Bank borrowings	443,798,158	–	–	–	443,798,158
Total	1,248,152,255	8,942,625	4,326,640	–	1,261,421,520

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(v) Liquidity risk (Continued)

The Company

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31st December, 2014					
Other payables	**1,386,506**	**–**	**–**	**–**	**1,386,506**
Amounts due to subsidiaries	**111,628,874**	**–**	**–**	**–**	**111,628,874**
Amount due to an associate	**233,912**	**–**	**–**	**–**	**233,912**
Bank borrowings	**191,027,484**	**–**	**–**	**–**	**191,027,484**
Total	**304,276,776**	**–**	**–**	**–**	**304,276,776**
At 31st December, 2013					
Other payables	1,440,498	–	–	–	1,440,498
Amounts due to subsidiaries	549,138,827	–	–	–	549,138,827
Amount due to an associate	233,912	–	–	–	233,912
Bank borrowings	131,011,095	–	–	–	131,011,095
Total	681,824,332	–	–	–	681,824,332

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the carrying value of the Group's financial instruments measured at fair value at the balance sheet date on a recurring basis, categorised into the three levels of the fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level in which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair values measured using significant unobservable inputs.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

The Group

2014

	Fair value	Fair value measurements as at 31st December, 2014 catergorised into		
		Level 1	Level 2	Level 3
	HK$	HK$	HK$	HK$
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	606,528	606,528	–	–
Other financial assets				
– Structured deposits	119,438,944	–	119,438,944	–
– Unlisted unit trust funds	30,018,229	–	30,018,229	–

2013

	Fair value	Level 1	Level 2	Level 3
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	494,391	494,391	–	–

The Company

2014

	Fair value	Fair value measurements as at 31st December, 2014 catergorised into		
		Level 1	Level 2	Level 3
	HK$	HK$	HK$	HK$
Recurring fair value measurements				
Assets:				
Other financial assets				
– Structured deposits	119,438,944	–	119,438,944	–

The Company did not have any financial assets measured at fair value as at 31st December,2013.

The fair values of structured deposits in level 2 are determined using quoted prices provided by financial institutions.

The fair values of unlisted unit trust funds in level 2 are based on net asset value of the investment funds at the balance sheet date provided by the financial institution.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

During the year ended 31st December, 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2013 and 2014.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the total debts ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current liabilities and non-current liabilities. Total capital includes total borrowings and total equity as shown in the consolidated balance sheet.

The total debts ratios at 31st December, 2014 and 2013 are as follows:

	2014	2013
	HK$	HK$
Current liabilities	**1,342,776,738**	1,363,191,504
Non-current liabilities	**93,150,869**	29,137,513
Total borrowings	**1,435,927,607**	1,392,329,017
Total equity	**1,677,621,514**	1,698,525,963
Total capital	**3,113,549,121**	3,090,854,980
Total debts ratio	**46%**	45%

Neither the Company nor any of its subsidiaries are subject to externally or internally imposed capital requirements.

44. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	Notes	2014 HK$	2013 HK$
Substantial shareholder and its subsidiaries:			
EDP charges received *(note i)*		**183,600**	183,600
Company controlled by certain directors' relatives:			
EDP charges received *(note i)*		**51,600**	51,600
Management fee paid *(note i)*		**996,000**	996,000
Non-controlling shareholders:			
Balances due from the Group as at the balance sheet date *(note ii)*	*29*	**9,600,000**	9,600,000
Balances due to the Group as at the balance sheet date *(note ii)*		**–**	208,229
Associates:			
Balances due from the Group as at the balance sheet date *(note ii)*		**480,940**	480,877
Balances due to the Group as at the balance sheet date *(note ii)*	*22*	**11,558,089**	14,513,306
Compensation of key management personnel of the Group *(note iii)*:			
Salaries and other short-term employee benefits		**22,203,162**	21,988,655

Further details of directors' and the chief executive's emoluments are included in note 10 to the consolidated financial statements.

Notes:

(i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.

(ii) The balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Key management personnel whose profiles are included in Directors and Senior Management Profile section of this report.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/registered capital attributable to the Group %	Principal activities
Cosmos Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Investment holding
Cosmos Machinery International Limited	Hong Kong	Hong Kong	HK$32,000,000	100.00*	100.00	Trading of International Industrial machinery, equipment and supplies and investment holding
Cosmos Machinery (Dongguan) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Cosmos Machinery (Wuxi) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Dekuma Rubber and Plastic Technology (Dongguan) Limited *(note a)*	The PRC	The PRC	HK$24,000,000	100.00	100.00	Manufacturing and trading of machinery
Dongguan Great Wall Optical Plastic Works Co., Ltd. *(note a)*	The PRC	The PRC	HK$20,000,000	100.00	100.00	Manufacturing of microscopes and magnifiers with acrylic lenses
Dong Hua Machinery Ltd. *(note b)*	The PRC	The PRC	RMB146,199,955	75.56	75.56	Manufacturing and trading of machinery
Gainbase Industrial Limited	Hong Kong	Hong Kong	HK$10,000	100.00	52.00	Trading of printed circuit boards
Grand Technology Products Limited	Hong Kong	Hong Kong	HK$9,500,000	100.00	100.00	Investment holding
Jackson Equities Incorporated	British Virgin Islands	Hong Kong	US$2	100.00*	100.00	Investment holding
Karmay Industrial Limited	Hong Kong	Hong Kong	HK$14,979,444	100.00	100.00	General trading and investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/registered capital attributable to the Group %	Principal activities
Karmay Plastic Products (Zhuhai) Co., Ltd. *(note a)*	The PRC	The PRC	HK$16,800,000	100.00	100.00	Manufacturing of plastic products
Melco Industrial Supplies Company Limited	Hong Kong	Hong Kong	HK$1,500,000	100.00	100.00	Trading of industrial equipment and screws
美高工業器材(上海)有限公司 *(note a)*	The PRC	The PRC	US$600,000	100.00	100.00	Trading of industrial equipment and screws
Guangzhou Melco Industrial Supplies Co., Ltd. *(note a)*	The PRC	The PRC	US$400,000	100.00	100.00	Trading of industrial equipment and screws
東莞明新塑膠制品有限公司	The PRC	The PRC	RMB34,000,000	100.00	100.00	Manufacturing and trading of moulds and plastic wares
Shenzhen Gainbase Printed Circuit Board Co., Ltd. *(note a)*	The PRC	The PRC	HK$140,000,000	100.00	52.00	Manufacturing of printed circuit boards
Welltec Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Trading of Machinery
KFE Hong Kong Co., Limited	Hong Kong	Hong Kong	US$7,776,000	100.00	52.00	Trading of laminates and printed circuit board
Wu Xi Grand Tech Machinery Group Ltd. *(note a)*	The PRC	The PRC	US$9,586,000	100.00	100.00	Manufacturing and trading of machinery
Wu Xi Grand Plastic Machine Manufacture Co., Ltd. *(note b)*	The PRC	The PRC	US$2,850,000	100.00	100.00	Manufacturing and trading of machinery
合肥大同格蘭塑業有限公司 *(note a)*	The PRC	The PRC	HK$56,000,000	100.00	100.00	Manufacturing of plastic products

Notes:

(a) The companies are registered in the form of wholly-owned foreign investment enterprises.

(b) The companies are registered in the form of sino-foreign cooperative enterprises.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year. 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 capital in issue at the end of the year or at any time during the year.

46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER, 2014

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st December, 2014 and which have not been early adopted in these consolidated financial statements. In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March, 2014 (i.e. the Company's financial year end which began on 1st January, 2015) in accordance with section 358 of that Ordinance.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations, and the changes in the Companies Ordinance on the consolidated financial statements is expected to be in the period of their initial application including Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, Defined benefit plans: Employee contributions	1st July, 2014
Annual improvements to HKFRSs 2010 – 2012 cycle	1st July, 2014
Annual improvements to HKFRSs 2011 – 2013 cycle	1st July, 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1st January, 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of Depreciation and amortisation	1st January, 2016
HKFRS 15, Revenue from contracts with customers	1st January, 2017
HKFRS 9, Financial instruments	1st January, 2018

FINANCIAL SUMMARY

INCOME STATEMENT

	For the year ended 31st December,				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	2,426,658	2,416,690	2,121,595	2,465,110	**2,492,729**
Profit (Loss) before taxation	310,727	49,665	(2,861)	119,121	**(351)**
Taxation	(13,349)	(15,152)	(10,277)	3,904	**(7,583)**
Profit (Loss) for the year	297,378	34,513	(13,138)	123,025	**(7,934)**
Non-controlling interests	21,707	7,934	11,037	14,635	**25,367**
Profit (Loss) attributable to equity shareholders of the Company	275,671	26,579	(24,175)	108,390	**(33,301)**

BALANCE SHEET

	At 31st December,				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,699,588	2,828,914	2,826,138	3,090,854	**3,113,549**
Total liabilities	(1,205,828)	(1,238,454)	(1,248,236)	(1,392,328)	**(1,435,927)**
Total equity	1,493,760	1,590,460	1,577,902	1,698,526	**1,677,622**
Non-controlling interests	183,445	189,005	198,965	213,418	**234,822**

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