Annual Report 2013

Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 765

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Siu Chung
(Chairman and Managing Director)
Mr. Tsui Yan Lee, Benjamin
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent Non-executive Directors:

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

COMPANY SECRETARY

Ms. Pang Siu Yin

AUDITOR

HLM CPA Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Cheung, Tong and Rosa, Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

WEBSITE

www.perfectech.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units C & D, 9/F, Sing Teck Factory Building,
44 Wong Chuk Hang Road,
Aberdeen,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong (up to 30 March 2014)

Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong (with effect from 31 March 2014)

RESULTS

The board of directors of the Company (the "Board") has resolved to announce the audited consolidated results for the year ended 31 December 2013. Total revenue for the year amounted to approximately HK$260,964,000 (2012: HK$299,378,000), representing a decrease of about 13%, of which HK$248,741,000 (2012: HK$257,879,000) was from the continuing operations, representing a decrease of about 4%. The net profit for the year stood at approximately HK$12,512,000 (2012: HK$33,856,000). Basic earnings per share was approximately 4.48 HK cents (2012: 12.93 HK cents).

FINAL AND SPECIAL DIVIDENDS

The Board recommends the payment of a final dividend for the year ended 31 December 2013 of 3.0 HK cents per share (2012: 4.0 HK cents per share) payable to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 30 May 2014. This dividend, together with the interim dividend of 1.0 HK cent per share (2012: 2.0 HK cents per share) will make a total dividend of 4.0 HK cents per share for the year ended 31 December 2013 (2012: 6.0 HK cents per share). In order to well utilize cash on hand and reward the shareholders of the Company, a special one-off dividend of 7.0 HK cents is also recommended by the Board. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 20 May 2014 (the "AGM"), the final dividend together with the special dividend will be paid on or about 12 June 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, and entitlement to the final and special dividends, the Register of Members will be closed during the below period, details of which are set out below:

(i) For determining the eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration –	4:30 pm on Friday, 16 May 2014
Closure of the Register of Members –	Monday, 19 May 2014 to Tuesday, 20 May 2014 (both dates inclusive)
Record date –	Tuesday, 20 May 2014

(ii) For determining the eligibility to receive the final and special dividend:

Latest time to lodge transfer documents for registration –	4:30 pm on Wednesday, 28 May 2014
Closure of the Register of Members –	Thursday, 29 May 2014 to Friday, 30 May 2014 (both dates inclusive)
Record date –	Friday, 30 May 2014

CHAIRMAN'S STATEMENT

During the above closure periods, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, and to be entitled to the proposed final dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong at Tricor Standard Limited no later than the aforementioned latest time.

BUSINESS REVIEW

As the packaging segment continued to record loss for recent years, the Board determined to terminate the business of the whole segment. As a result, revenue of the Group continued to drop in absolute amount, while net profit attributable to shareholders decreased as extra costs for closing certain sub-segments of the Group were incurred.

Due to increasing costs of production in mainland China, it has become more difficult for manufacturers to strive for survival there. To overcome the above uneasy issue, the Group has determined to concentrate on profitable and high technique-based manufacturing businesses.

On the other hand, due to the influence of highly volatile global financial markets, returns from investment of the Group also dropped substantially during the year under review. The year-end Hang Seng Index as at 31 December 2013 stood at 23,306, while that as at 31 December 2012 was 22,656, represented a growth of less than 3%. Details of the breakdown of income from investment will be disclosed below.

For the year of 2013, the profit of the Group included loss on disposal of investments held-for-trading of approximately HK$945,000 (2012: gain of HK$8,053,000), decrease in fair value of investments held-for-trading of approximately HK$1,293,000 (2012: increase of HK$8,900,000) and increase in fair value of derivative financial instruments of approximately HK$3,384,000 (2012: decrease of HK$1,084,000).

Besides, administrative expenses increased by about 25% to approximately HK$36,511,000 (2012: HK$29,287,000). Such increase was mainly due to, among others, (i) the increase in exchange loss due to the continuous appreciation of Renminbi during the year, (ii) the increase in salaries in the PRC as a result of the set up of foreign direct investment enterprises; and (iii) the increase in share-based payments expenses incurred of approximately HK$2,123,000 (2012: HK$1,392,000) as a result of options granted during the year.

Finance costs increased slightly by less than 1% to approximately HK$317,000 (2012: HK$315,000) as a result of the drawdown of a secured term loan for the acquisition of the properties for the Group's own use during the year.

FUTURE PLAN & PROSPECT

Looking ahead, though the overall environment of manufacturing business is still challenging, the Board is optimistic that the performance of the Group in coming years will improve and dividend policy will continue due to the following reasons: (i) no more material loss from the packaging segment is expected as its termination is approaching completion, and resources of all kinds can be released towards other profitable segments; and (ii) as a result of the good relationship maintained with the customers and the increasing quality of its products and services, the performance of the toys segment is expected to sustain continually.

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year under review.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RESULTS

Novelties and decorations

The turnover of this segment for the year under review showed a further decrease of about 14% to approximately HK$66,216,000 (2012: HK$77,142,000) due to the temporary production interruption during the first half of the year as a result of relocation of production facilities. Nevertheless, the segment recorded a gain before interests and tax of approximately HK$2,062,000 (2012: loss of HK$1,558,000). Included in the gain there was no provision of doubtful debts for the year (2012: HK$2,634,000) but there was a gain on derecognition of subsidiary of approximately HK$2,551,000 (2012: HK$Nil). It is prudently optimistic that the performance of the segment in the coming years may improve as synergy effect and economies of scales from the merger and relocation of production facilities are expected.

Toy products

The turnover of this segment increased slightly by about 1% to approximately HK$182,525,000 (2012: HK$180,737,000), while the segment result therefrom decreased slightly to approximately HK$29,897,000 (2012: HK$30,001,000). The segment continued to be the best performing one within the Group and maintained a stable performance, which is hard to be achieved under the current global and local manufacturing environment.

Packaging products

The revenue of packaging products to external customers decreased substantially by about 62% to approximately HK$12,223,000 (2012: HK$32,200,000) as result of the plan to slow down the business, while the segment result recorded a further loss of approximately HK$7,596,000 (2012: HK$3,172,000). Included in the loss for the year was a gain from disposal of fixed assets of approximately HK$1,970,000 (2012: HK$1,985,000). As the segment has been recording negative results continuously, the Board has determined to terminate the whole operation of the segment and extra expenses in closing certain sub-segments which were incurred during the year as stated in the interim report of the Group.

Investments

To well utilise the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2013, the market value of investments-held-for-trading was approximately HK$46,675,000 (2012: HK$59,736,000).

In addition, the Group may utilise its cash on hand by investing in other types of investment with a view to enhancing the return to the shareholders. However, that must be carried out in accordance with the Company's treasury policies on investment transactions, details of which are posted on the Company's website, www.perfectech.com.hk.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all its factories are located in the PRC, expenses incurred there are dominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 31 December 2013, the Group had not entered into any financial instrument for the hedging of foreign currency.

Liquidity and financial resources

As at 31 December 2013, there were no long-term finance lease obligation and bank loan of the Group (2012: HK$Nil), while the short term bank borrowings were approximately HK$21,918,000 (2012: HK$9,221,000), and none of the Group's plant and machinery (2012: HK$Nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 11% (2012: 5%). As at 31 December 2013, the Group had bank balances and cash of approximately HK$86,406,000 (2012: HK$75,318,000).

With cash and other current assets as at 31 December 2013 of HK$201,243,000 (2012: HK$223,422,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value of the Group as at 31 December 2013 was approximately HK$0.69 (2012: HK$0.77) per share based on the actual number of 290,115,607 (2012: 260,717,607) shares in issue on that date.

Employees and remuneration policies

As at 31 December 2013, the Group employed approximately 1,350 (2012: 1,500) full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the "AGM") will be held at 3:00 p.m. on 20 May 2014, Tuesday at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company ("Directors") and the independent auditors of the Company ("Auditors") for the year ended 31 December 2013.

2. To declare a final dividend of 3.0 HK cents per ordinary share of the Company ("Shares") and a special dividend of 7.0 HK cents per Share to be paid out of the distributable profits to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 30 May 2014.

3. To re-appoint Messrs. HLM CPA Limited as the Auditors and authorise the board of Directors to fix their remuneration.

4. To re-elect the Directors who hold office until the conclusion of AGM.

5. To authorise the board of Directors to fix the Directors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without modification) as ordinary resolutions:

6. "**THAT**

(a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with unissued Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time (a) on a Rights Issue (as hereinafter defined) or (b) upon the exercise of any options under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares or (c) upon the exercise of rights of subscription or conversion attaching to any warrants or convertible bonds issued by the Company or any securities which are convertible into Shares the issue of which warrants and other securities has previously been approved by shareholders of the Company or (d) as any scrip dividend or similar arrangements pursuant to the bye-laws of the Company, not exceeding twenty per cent of the issued share capital of the Company as at the date of this resolution; and

(b) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

and "Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange applicable to the Company)."

7. "**THAT** there be granted to the Directors an unconditional general mandate to repurchase Shares, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorise the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;

(c) the aggregate nominal value of the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than ten per cent of the aggregate nominal value of Shares in issue at the date of passing this resolution; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. "**THAT**, subject to the availability of unissued share capital and conditional upon the resolutions nos. 6 and 7 above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with resolution no. 7 above shall be added to the number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 6 above."

9. "**THAT** conditional upon the Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the Shares to be issued upon the exercise of options under the share option scheme adopted by the Company on 30 May 2012 (the "Share Option Scheme"), the existing scheme mandate limit in respect of granting of options to subscribe for Shares under the Share Option Scheme be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the Shares in issue as at the date of passing this resolution and that the Directors of the Company be and are hereby authorized, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange, to grant options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options."

By order of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 11 April 2014

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the AGM is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy needs not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the AGM and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.

2. A form of proxy for the AGM is enclosed with the Company's circular dated 11 April 2014. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed on the form together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment of such meeting.

3. The Hong Kong branch register of members of the Company will be closed from 19 May 2014, Monday to 20 May 2014, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the AGM. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 16 May 2014, Friday.

4. The Hong Kong branch register of members of the Company will be closed from 29 May 2014, Thursday to 30 May 2014, Friday (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the proposed final and special dividends upon passing of resolution no. 2 set out in this notice. No transfer of Shares may be registered during the said period. In order to qualify for the proposed final and special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 28 May 2014, Wednesday.

5. With regard to resolutions no. 6 above, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the general mandate to be granted under resolution no. 6 above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. POON Siu Chung (Mr. Poon), aged 64, is the Chairman and Managing Director of the Company. Mr. Poon is the co-founder of the group and has over 40 years' experience in the plastic industry and toy business. He oversees the Group's operations and is responsible for formulating the Group's overall corporate policies and development plans. Mr. Poon is the father of Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert.

Mr. Poon has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party by the other or payment in lieu.

Mr. TSUI Yan Lee, Benjamin, aged 54, is responsible for the sales and marketing of the Group's novelties and festival decorations. Prior to joining the Group in 1983, he worked in a manufacturing company as a sales executive for over 3 years.

Mr. Tsui has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party by the other or payment in lieu.

Dr. POON Wai Tsun, William, aged 36, graduated from University of Bristol in the United Kingdom with a Bachelor degree in Mechanical Engineering and a Doctor of Philosophy degree in Engineering. Dr. Poon is responsible for the research and development of the Group's products. He joined the Group in 2009 and has more than 5 years' experience in manufacturing industry. Dr. Poon is the eldest son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the elder brother of Mr. Poon Wai Yip, Albert.

Mr. POON Wai Yip, Albert (Mr. A. Poon), aged 30, graduated from the University of Nottingham, United Kingdom with a Bachelor degree of Engineering in Civil Engineering and a Master of Science degree in Management from the Imperial College of Science, Technology and Medicine in the United Kingdom. Mr. A. Poon has five years' experience in corporate finance and is responsible for the investment activities and corporate finance function of the Group. Prior to joining the Group in 2011, he worked for the corporate finance division of a licensed corporation registered under the Securities and Futures Ordinance (the "SFO") in Hong Kong and has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization, takeover matters and a variety of fund raising exercises. Mr. A. Poon is a son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the younger brother of Dr. Poon Wai Tsun, William.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. LAM Yat Cheong, aged 52, graduated from the Hong Kong Baptist University. Mr. Lam is a Certified Public Accountant and a sole proprietor of an audit firm and has over 20 years of auditing and accounting experience. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lee's Pharmaceutical Holdings Limited and Wuyi International Pharmaceutical Company Limited, both companies are listed in Hong Kong.

Mr. YIP Chi Hung, aged 55, is experienced in the construction industry. Mr. Yip is a director of Fong Wing Shing Construction Company Limited, a reputable registered building contractor in Hong Kong. He has over 25 years of experience in a variety of building and maintenance projects for both the public and private sectors and is also well versed in the development of properties in Hong Kong and Singapore. He is also the chairman and executive director of PacMOS Technologies Holdings Limited, a company listed in Hong Kong.

Mr. CHOY Wing Keung, David, aged 48, graduated from the Hong Kong Shue Yan University and is the sole proprietor of David Choy & Co., Certified Public Accountants (Practising). He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Certified Chartered Accountants. He has over 20 years of experience in the areas of auditing, accounting, secretarial services and taxation. In the three years immediately preceding the Latest Practicable Date, Mr. Choy did not hold any directorship in any publicly listed companies.

SENIOR MANAGEMENT

Mr. YUEN Che Wai, Victor, aged 48, is the Group's financial controller. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is responsible for the overall supervision on the accounting and finance functions of the Group. Mr. Yuen holds a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He joined the Group in 1991 and has more than 20 years of experience in the audit and accounting field.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Throughout the year ended 31 December 2013, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code, and has taken steps to comply with the Code Provisions wherever appropriate.

On 27 March 2013, the Company has adopted the Code Provisions of the latest Code as the guideline for corporate governance of the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2013, the Company has complied with the Code Provisions save for the following deviations:

Under Code Provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

While the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken up by the managing director of the company. Mr. Poon Siu Chung is the chairman (the "Chairman") of the board of directors of the Company (the "Board") and the managing director of the Company (the "Managing Director"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believes that having Mr. Poon performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 23 May 2013.

Under Code Provision C.3.3 (e) (i), members of the audit committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors regarding review of the issuer's financial information.

On the Company' audit committee (the "Audit Committee") meeting on 26 August 2013, which was held to discuss and approve the financial results of the Company for the six months ended 30 June 2013, the external auditors were not present. However, all the members of the Audit Committee (all of whom are independent non-executive Directors, with two of them possessing professional qualifications in accounting), together with the Company's financial controller, were present at the said meeting to ensure a thorough and in-depth discussion on the financial results for the said period at the meeting.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors of the Company (the Directors) for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and said Directors, and so there is no written record of the same.

In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since 1 April 1998. The Company has also assigned Mr. Poon Wai Yip, Albert, an executive Director of the Company, and Mr. Yuen Che Wai, Victor, the financial controller of the Company, as the contact persons with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned. Given the long-term relationship between Ms. Pang and the Group, she is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance with the relevant Board procedures, applicable laws, rules and regulations.

DIRECTORS

The Board

The Board of Directors, led by the Chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans.

In addition to Board meetings that are held regularly to discuss and approve the Group's results, additional Board meetings are held from time to time to discuss important matters that require the Board's attention and decision.

During the year of 2013, there were 4 regular Board meetings and 44 special Board meetings held. As regard to general meeting, the Company held the annual general meeting on 23 May 2013.

The attendance records of each Director at the Board meetings and general meeting in 2013 are set out below:

	Attended/Eligible to Attend		
Directors	**Regular Board Meetings**	**Special Board Meeting for operational matters**	**General Meeting**
Executive Directors			
Mr. Poon Siu Chung (Chairman and Managing Director)	4/4	44/44	1/1
Mr. Tsui Yan Lee, Benjamin	4/4	42/44	1/1
Dr. Poon Wai Tsun, William	4/4	1/44	1/1
Mr. Poon Wai Yip, Albert	4/4	39/44	1/1
Independent non-executive Directors			
Mr. Yip Chi Hung	4/4	2/44	0/1
Mr. Lam Yat Cheong	4/4	1/44	1/1
Mr. Choy Wing Keung, David	4/4	1/44	1/1

Regular Board meetings are attended by a majority of the Directors in person.

Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attend the special Board meetings.

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the Board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Board committee meetings are kept by the Company Secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

According to the current Board practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive

As explained earlier, while the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken up by Mr. Poon Siu Chung, who is both the Chairman and Managing Director of the Company.

In accordance with the Directors' Memorandum in Discharging Directors' Duties adopted by the Company on 27 March 2012 (the "Memorandum"), as the Company's Chairman, Mr. Poon Siu Chung is responsible for:

- oversee the development of the long-term strategies, objectives and policies for the Company;
- ensure all directors are properly briefed on matters to be discussed at Board meetings;
- ensure all directors receive, in a timely manner, adequate, accurate, clear, complete and reliable information in a timely manner;
- provide leadership for the Board;
- ensure that the Board works effectively and performs its responsibilities;
- ensure that agenda for Board meetings are drawn up and approve them, taking into account any matters proposed by the other directors for inclusion in the agenda;
- take primary responsibility for ensuring that good corporate practices and procedures are in place;
- encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company;
- encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;
- ensure appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole;
- promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors;
- attend the AGM and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM;
- hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present;
- decide whether a resolution at a general meeting relating purely to a procedural or administrative matter should be excluded from the requirement for voting by poll.

Board Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. Poon Siu Chung (Chairman and Managing Director)
Mr. Tsui Yan Lee, Benjamin
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent Non-executive Directors
Mr. Lam Yat Cheong
Mr.Yip Chi Hung
Mr. Choy Wing Keung, David

An updated list of the Company's Directors by category identifying their roles is at all times available on the websites of the Company and the Stock Exchange. The list specifies whether the Director is an independent non-executive Director and expresses the respective roles of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Biographical Details of Directors and Senior Management" of this annual report on pages 12 to 13.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board, except the following:

- Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert are sons of Mr. Poon Siu Chung, the Chairman and the Managing Director of the Company and their mothers, Ms. Lau Kwai Ngor, is a substantial shareholder of the Company.

The independent non-executive Directors play an important role on the Board. They are experienced professionals in their respective fields and two of the independent non-executive Directors have appropriate professional qualifications of accounting or related financial management expertise.

They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole.

CORPORATE GOVERNANCE REPORT

Throughout the year of 2013, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Appointments, re-election and removal

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgment.

In the circular dated 16 April 2013, the Board explained the reasons why it believes Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David to be independent when proposing to elect them as independent non-executive Directors at the general meeting held on 23 May 2013, as stated below:

Save as being independent non-executive Directors of the Company, they did not hold any other position with the Company and other members of the Group. They had not entered into any service contracts with the Company. Moreover, the annual emoluments payable to them were determined by reference to their duties and responsibilities and the prevailing market conditions (subject to review by the Board from time to time).

Under Bye-law 99 of the Company's Bye-laws and Code Provision A.4.2, every Director, including those appointed for a specific term shall be subject to retirement by rotation at the annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive Directors of the Company were appointed to hold office until the conclusion of the next annual general meeting, subject to re-election by shareholders.

In accordance with the said provision of the Bye-laws and Code Provision A.4.1 and A.4.2, in the annual general meeting held on 23 May 2013, Mr. Poon Siu Chung and Dr. Poon Wai Tsun, William were subject to retirement by rotation and were re-elected. All independent non-executive Directors (namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David) were elected to hold office until the next AGM to be held in 2014, subject to re-election by shareholders.

Nomination of Directors

On 27 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

The Board views that the independent non-executive Directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgment at the Board Meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Board committees of the Company.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments. They have also informed the Company of the identity of other public companies or organizations they serve and the time involved in these public companies or organizations.

All Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to his necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, including executive and independent non-executive and ensures the better understanding of the views of shareholders by all Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the Directors made inquiries during the Board meetings and Board committee meetings. The queries raised by Directors have received a prompt and full response.

CORPORATE GOVERNANCE REPORT

Induction and Continuous Professional Development

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations and the business and market changes. In addition, the Company has been encouraging the Directors to participate in the relevant professional development seminars and courses.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a Director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2013 to 31 December 2013:

	Corporate Governance/ Updates on Laws, Rules and Regulation		Accounting/ Financial/ Management or Other Professional Skills or Industry Knowledge	
Directors	**Read Materials**	**Attend Seminars/ briefings**	**Read Materials**	**Attend Seminars/ briefings**
Executive Directors				
Mr. Poon Siu Chung	✓			
Mr. Tsui Yan Lee, Benjamin	✓			
Dr. Poon Wai Tsun, William	✓			
Mr. Poon Wai Yip, Albert	✓			✓
Independent Non-executive Directors				
Mr. Yip Chi Hung	✓	✓		
Mr. Lam Yat Cheong	✓			
Mr. Choy Wing Keung, David	✓			

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2013, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2013 are set out on pages 36 to 37 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a Director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board is responsible for formulating strategies and business plans for the Group and is collectively responsible for its success.

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

In accordance with the Memorandum, the types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- reviewing and monitoring the policies and practices on corporate governance.

The Board has delegated decisions in relation to daily operation and administration responsibilities to management under the supervision of the Managing Director. The aforesaid Memorandum has also set out a set of principles which the Board should adhere to when it delegates authority.

For aspects of management and administration functions delegated to the management, the Board has given clear directions as to the management's power, particularly as to where management should report back and obtain prior Board approval.

The functions reserved to the Board and those delegated to management have been formalized and are reviewed periodically to ensure that they remain appropriate.

Directors clearly understand the above delegation arrangements of the Company.

Board Committees

Nomination Committee

On 27 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Directors. The Committee currently comprises 1 executive Director and 3 independent non-executive Directors, namely:

Executive Directors
Mr. Poon Wai Yip, Albert

Independent Non-Executive Directors
Mr. Choy Wing Keung, David (Chairman)
Mr. Lam Yat Cheong
Mr. Yip Chi Hung

The Nomination Committee is governed by its terms of reference, which have been revised on 29 August 2013 and are closely aligned with the relevant Code Provisions requirements. They are available at both the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the INEDs;
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy.

During 2013, 1 Nomination Committee meeting was held. The attendance records of each member of the Nomination Committee at the said Committee meetings are set out below:

Members of Nomination Committee	**Attendance/Number of Meeting(s) held during the tenure of membership**
Executive Directors	
Mr. Poon Wai Yip, Albert	1/1
Independent Non-executive Directors	
Mr. Choy Wing Keung, David (Chairman)	1/1
Mr. Lam Yat Cheong	1/1
Mr. Yip Chi Hung	1/1

During the meeting, the Nomination Committee has conducted the following tasks:

- reviewed the policy for the nomination of Directors;
- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- made recommendations to the Board regarding proposed changes to implement the Company's corporate strategy;
- assessed the independence of the independent non-executive Directors;
- assessed the time required from a Director to perform his responsibilities; and
- reviewed the board diversity policy of the Company, adopted by the Board on 29 August 2013 (the "Board Diversity Policy").

Board Diversity Policy

The Board has adopted the Board Diversity Policy" on 29 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

The Board has set measurable objectives based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service to select candidates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate to ensure the effectiveness of the same. It will discuss and revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will also monitor the implementation of the Board Diversity Policy.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

Remuneration Committee

Remuneration of Directors

The Remuneration Committee was established pursuant to Rule 3.25 of the Listing Rules. It makes recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 27 March 2012 pursuant to the revised Code. The terms of reference are made available on the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

The Remuneration Committee is chaired by the independent non-executive Director, Mr. Yip Chi Hung. It now consists of 5 members, namely:

Executive Directors
Mr. Poon Siu Chung

Independent Non-executive Directors
Mr. Yip Chi Hung (Chairman)
Mr. Lam Yat Cheong
Mr. Choy Wing Keung, David

Financial Controller
Mr. Yuen Che Wai, Victor

During 2013, 1 Remuneration Committee meeting was held.

The attendance records of each member of the Remuneration Committee at the said Committee meetings are set out below:

Members of Remuneration Committee	**Attendance/Number of Meeting(s) held during the tenure of membership**
Executive Directors	
Mr. Poon Siu Chung	1/1
Independent Non-executive Directors	
Mr. Yip Chi Hung	1/1
Mr. Lam Yat Cheong	1/1
Mr. Choy Wing Keung, David	1/1
Financial Controller	
Mr. Yuen Che Wai, Victor	1/1

The work performed by the Remuneration Committee during 2013 included consideration of the followings:

- remuneration policy and structure of Directors and senior management;
- specific remuneration packages of all executive Directors and senior management;
- recommendations to the Board of the remuneration of non-executive Directors; and
- the salary review of the Group for 2014

Emolument Policy and Long-Term Incentive Plan

The Company adopts different emolument policies for executive Directors and non-executive Directors:

Emolument Policy for Executive Directors

1. A proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive Directors.

3. The performance-related elements of remuneration should be designed to align the executive Directors' interests with those of shareholders and to give the Directors keen incentives to perform at the highest levels.

4. Factors for Defining Performance-Based Remuneration:

   (a) Eligibility for annual bonuses and any upper limits

   (b) Annual bonuses should be linked to relevant performance indicators designed to enhance the Company's business

   (c) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

   (d) Examples of performance indicators:

      (i) share price

      (ii) net earnings figure

Emolument Policy for Non-executive Directors

1. Levels of emolument of non-executive Directors should reflect the time commitment and responsibilities of the role.

2. Non-executive Directors should have the opportunity to have part of their remuneration in shares on condition that share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all of whom are independent non-executive Directors of the Company. Lam Yat Cheong is the chairman of the Audit Committee. Both Mr. Lam and Mr. Choy have professional qualifications in accounting. The Audit Committee usually meets 2 times a year.

The Audit Committee is governed by its terms of reference, which have been revised by the Board on 27 March 2012 pursuant to the revised Code. The terms of reference are made available on the Company's website www.perfectech.com.hk and HKEx's website www.hkex.com.hk.

During year 2013, the Audit Committee met 3 times and the attendance of each member at the Audit Committee meetings is as follows:

Members of Audit Committee	**Attendance/Number of Meeting(s) held during the tenure of membership**
Mr. Lam Yat Cheong (Chairman)	3/3
Mr. Yip Chi Hung	2/3
Mr. Choy Wing Keung, David	3/3

The Audit Committee meetings are normally attended by the Company's financial controller and the external auditor, for discussion of the audit of the Company's annual results only. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2013 included consideration of the following matters:

- the completeness and accuracy of the 2012 annual and 2013 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- detailed analysis of various aspects of the Company's financial performance;
- investment policies and possible impact of certain investment transactions;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2013; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLM CPA Limited as the external auditors.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Committee is also supported by the external auditor.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Board is responsible for the integrity of the financial information of the Group. The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on page 43.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 45 to 126 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 6 to 7 in this report.

The Management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The Management also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Company. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year under review, the Board has reviewed the structure and effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

In 2013, the Board has identified no major issues on conducting the aforesaid reviews. Throughout this process, the Board has examined reports on internal control and procedures in place submitted by various factories of the Group.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

External auditors will also report on the weakness in the Group's internal control and accounting procedure which have come to their attention during the course of audit.

Auditor's Remuneration

The Company' external auditor is HLM CPA Limited. For the year under review, the remuneration paid for services provided by the auditors is roughly as follows:

Services Rendered	Fees Paid/Payable (HK$'000)
Audit services	990

During the year of 2013, there were no non-audit services provided by the auditor.

COMPANY SECRETARY

The position of Company Secretary is held by Ms. Pang Siu Yin, a practicing solicitor of Hong Kong who is not an employee of the Company. The Company Secretary can contact the Company through Mr. Poon Wai Yip, Albert, an executive Director of the Company, and Mr. Yuen Chi Wai, Victor, the financial controller of the Company. The Company Secretary is responsible to the Board and reports to the Chairman from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed.

Since Ms. Pang was appointed in 1998, she has to take no less than 15 hours of relevant professional training during the year 2013. She has fulfilled the requirement during the year under review.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group values and strives to provide comprehensive and timely communications to its stakeholders, including its shareholders.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Voting by Poll

The Company expresses in each relevant corporate communication that the shareholders shall vote by poll so as to allow the shareholders to have one vote for every share of the Company held. The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the general meetings.

Shareholders' Rights

Further to the Companies Act 1981 of Bermuda and under Bye-Law 62 of the Bye-Laws of the Company, a special general meeting can be convened on requisition.

Based on the requirement of revised Code, a Shareholders Communication Policy was formulated in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders.

The most recent shareholders' meeting was the AGM held on 23 May 2013 at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong to discuss and approve the following matters:

- considering and receiving the consolidated financial statements and reports for the Directors and auditors for the year ended 31 December 2012;
- declaring the final and special dividends;
- re-electing certain Directors and authorizing the Board to fix their remunerations;
- appointing the Company's external auditor and authorizing the Board to fix their remunerations;

- passing a general mandate to allow the Directors to allot and issue shares of the Company ("General Mandate");
- passing a repurchase mandate to allow the Directors to repurchase shares of the Company ("Repurchase Mandate");
- passing a general extension mandate to allow the Directors, after the grant of Repurchase Mandate, to add to the General Mandate any shares repurchased pursuant to the Repurchase Mandate (the "General Extension Mandate").

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website http://www.perfectech.com.hk.

Enquiries and proposals to be put forward at shareholder meetings can also be sent to the Board or senior management by contacting the Investment Department at (852) 39650088, via e-mail to info@perfectech.com.hk, or directly through the questions and answers session at shareholder meetings.

REPORT OF THE DIRECTORS

The Directors of the Company present their annual report (the “Report of the Directors”) and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

An interim dividend of 1.0 HK cent per share amounting to approximately HK$2,901,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 3.0 HK cents per share and a special one-off dividend of 7.0 HK cents per share to the shareholders whose names appear on the register of members on 30 May 2014, amounting to approximately HK$29,312,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 77.25% of the total revenues of the Group and the largest customer accounted for approximately 69.59% of the total revenues of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 33.43% of the total purchases of the Group and the largest supplier accounted for approximately 11.03% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) have an interest in any of the Group’s five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its replacement policy and expended approximately HK$40,229,000 on property, plant and equipment during the year.

Details of the above and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended from time to time), amounted to approximately HK$36,699,000 of which HK$29,312,000 has been proposed as final and special dividends for the year. In addition, the Company's share premium account, in the amount of approximately HK$86,465,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive Directors

Mr. Poon Siu Chung (Chairman and Managing Director)
Mr. Tsui Yan Lee, Benjamin
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent non-executive Directors

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

In accordance with bye-law 99 of the Bye-laws and the Code on Corporate Governance of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at the annual general meeting at least once every three years. All retiring Directors shall be eligible for re-election.

Accordingly, no Directors shall retire from office by rotation at the conclusion of the forthcoming annual general meeting.

However, pursuant to the resolutions of the Company passed on 23 May 2013, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all being independent non-executive Directors, will hold office until the conclusion of the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

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

All independent non-executive Directors have been appointed for a term of approximately one year.

All independent non-executive Directors will hold office until the conclusion of the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31 December 2013, the interests of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(A) Long position in the shares of the Company

Director	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of spouse	9,854,000	–		
	Interest of controlled corporation	101,139,430	–	130,857,430 (a)	45.11
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	611,000	2,700,000 (b)	3,311,000	1.14
Dr. Poon Wai Tsun, William	Beneficial owner	–	2,850,000 (b)	2,850,000	0.98
Mr. Poon Wai Yip, Albert	Beneficial owner	–	2,850,000 (b)	2,850,000	0.98
Mr. Yip Chi Hung	Beneficial owner	300,000	–	300,000	0.10
Mr. Lam Yat Cheong	Beneficial owner	550,000	–	550,000	0.19
Mr. Choy Wing Keung, David	Beneficial owner	–	–	–	0.00

Notes:

(a) Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 9,854,000 shares and 101,139,430 shares held by his spouse, Ms. Lau Kwai Ngor and Mime Limited respectively. Mime Limited is a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.

(b) These interests represented interests in underlying shares in respect of share options granted by the Company to these Directors as beneficial owners, details of which are set out in the section "Share Options" of this report.

(B) Long position in the shares of the associated corporations of the Company

Director	Name of associated corporation	Capacity	No. of shares held	Total	% of issued share capital of the associated corporation
Mr. Poon Siu Chung	Perfectech International Limited	Beneficial owner	200		
		Interest of spouse	200	400 (c)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600 (d)	51
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

Notes:

(c) Mr. Poon Siu Chung was the beneficial owner of 200 non-voting deferred shares ("Perfectech Shares") of HK$100 each in Perfectech International Limited, a subsidiary of the Company and was deemed to be interested in 200 Perfectech Shares through interests of his spouse, Ms. Lau Kwai Ngor.

(d) Mr. Poon Siu Chung was the beneficial owner of 60,800 non-voting deferred shares ("Sunflower Shares") of HK$1 each in Sunflower Garland Manufactory Limited, a subsidiary of the Company and was deemed to be interested in 20,800 Sunflower Shares through interests of his spouse, Ms. Lau Kwai Ngor.

Details of the Directors', or their associates', interests in the share options of the Company or any of its associated corporations are set out in the "Share Options" section of this report.

Save as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the Directors, nor their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31 December 2013.

REPORT OF THE DIRECTORS

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 33 to the financial statements.

Details of the movements in the Company's share options during the year are as follows:

	Number of options outstanding 1.1.2013	Number of options granted during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding at 31.12.2013	Date granted	Exercise price per share HK$	Exercise period
Directors								
Poon Siu Chung	2,700,000	–	–	–	2,700,000	13/04/2011	0.740	01/05/2011–31/12/2020
Tsui Yan Lee, Benjamin	2,700,000	–	–	–	2,700,000	13/04/2011	0.740	01/05/2011–31/12/2020
	1,000,000	–	(1,000,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
Poon Wai Tsun, William	2,700,000	–	(2,700,000)	–	–	13/04/2011	0.740	01/05/2011–31/12/2020
	2,500,000	–	(2,500,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
	–	2,850,000	–	–	2,850,000	23/07/2013	0.710	24/07/2013–23/07/2023
Poon Wai Yip, Albert	2,700,000	–	(2,700,000)	–	–	13/04/2011	0.740	01/05/2011–31/12/2020
	2,500,000	–	(2,500,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
	–	2,850,000	–	–	2,850,000	23/07/2013	0.710	24/07/2013–23/07/2023
Yip Chi Hung	300,000	–	(300,000)	–	–	13/04/2011	0.740	01/05/2011–31/12/2020
	300,000	–	(300,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
Lam Yat Cheong	300,000	–	(300,000)	–	–	02/11/2007	0.850	01/12/2007–31/12/2016
	300,000	–	(300,000)	–	–	13/04/2011	0.740	01/05/2011–31/12/2020
	300,000	–	(300,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
Choy Wing Keung, David	300,000	–	(300,000)	–	–	02/11/2007	0.850	01/12/2007–31/12/2016
	300,000	–	(300,000)	–	–	13/04/2011	0.740	01/05/2011–31/12/2020
	300,000	–	(300,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
Employees	7,000,000	–	–	–	7,000,000	02/11/2007	0.850	01/12/2007–31/12/2016
	11,598,000	–	(11,598,000)	–	–	28/04/2011	0.770	01/05/2011–31/12/2020
	5,000,000	–	(5,000,000)	–	–	15/06/2012	0.600	16/06/2012–15/06/2022
	–	8,550,000	–	–	8,550,000	23/07/2013	0.710	24/07/2013–23/07/2023
Sub-total	42,798,000	14,250,000	(30,398,000)	–	26,650,000			
Others	1,000,000	–	–	–	1,000,000	02/02/2005	0.608	02/05/2005–31/12/2014
Sub-total	1,000,000	–	–	–	1,000,000			
Grand Total	43,798,000	14,250,000	(30,398,000)	–	27,650,000			

The closing price of the Company's shares on 2 February 2005, 2 November 2007, 13 April 2011, 28 April 2011, 15 June 2012 and 23 July 2013, the dates of grant of the options, were HK$0.600, HK$0.850, HK$0.740, HK$0.770, HK$0.590 and HK$0.710 respectively.

According to the Binomial Option Pricing Model, the details of the options granted during the year under the option scheme were as follows:

Date of grant	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk free rate	Volatility	Expiration of the options	Dividend yield
23 July 2013	14,250,000	HK$2,123,000	HK$0.710	2.20%	40.29%	23 July 2023	9.73%

Share options were exercised on various dates during the year, the weighted average closing price of the Company's shares immediately before those dates was HK$1.116.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

On 31st December 2010, the Group entered into a tenancy agreement with Mr. Poon Siu Chung, a substantial shareholder and director of the Company, in relation to the premises at Nos. 34 and 35 of Xiazha Industrial Street, Jinding Town, Zhuhai, the People's Republic of China, for a monthly rent of HK$20,000 for a period of three years commencing from 1st January 2011. The said premises are used by the Group as factories. The total rent payable by the Group for the premises for the full period of the tenancy under the aforesaid tenancy agreement will amount to HK$720,000. During the year, the Group paid rent to Mr. Poon Siu Chung totalling HK$240,000. On 30 November 2013, the Group renewed the tenancy agreement with Mr. Poon for a monthly rent of HK$10,000 for a period of three years commencing from 1st January 2014.

The independent non-executive Directors confirm that the transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) in accordance with the terms of the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and (iii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 31 December 2013, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the shares capital of the Company as follows: –

Long position in the shares of the Company

Shareholder	Capacity	No. of Shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Beneficial owner	9,854,000	–		
	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	–	130,857,430(a)	45.11
Mime Limited	Beneficial owner	101,139,430	–	101,139,430(a)	34.86
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	21.75
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	21.75
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200(b)	21.75

Notes:

(a) Under the SFO, Ms. Lau Kwai Ngor was the beneficial owner of 9,854,000 shares of the Company and was deemed to be interested in 17,164,000 shares of the Company through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 101,139,430 shares of the Company which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.

(b) Under the SFO, Mr. Leung Ying Wai, Charles and Ms. Tai Yee Foon were deemed to be interested in 63,097,200 shares of the Company, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company has adopted throughout the year ended 31 December 2013 the Corporate Governance Code and Corporate Governance Report ("Code") set out in Appendix 14 of the Listing Rules as its own corporate governance code.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report in page 14 to 33 of this annual report.

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

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate amount paid
		HK$	HK$	HK$
January 2013	1,000,000	0.910	0.900	912,000
	1,000,000			912,000

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the Board and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013 and up to the date thereof.

REPORT OF THE DIRECTORS

AUDITOR

The financial statements for the year ended 31 December 2013 have been audited by the Company's auditor, Messrs. HLM CPA Limited, Certified Public Accountants. HLM CPA Limited shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of HLM CPA Limited will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 25 March 2014

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre,
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
Email 電郵: info@hlm.com.hk

TO THE MEMBERS OF PERFECTECH INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Perfectech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 126 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Revenue	5 & 6	**248,741**	257,879
Cost of sales		**(182,691)**	(196,211)
Gross profit		**66,050**	61,668
Net other income	7	**9,425**	21,759
Distribution costs		**(7,135)**	(7,554)
Increase in fair value of an investment property	16	**1,200**	1,700
Administrative expenses		**(36,511)**	(29,287)
Finance costs	8	**(317)**	(315)
Profit before tax	9	**32,712**	47,971
Income tax expenses	11	**(8,449)**	(5,497)
Profit for the year from continuing operations		**24,263**	42,474
Discontinued operations			
Loss for the year from discontinued operations	12	**(8,272)**	(4,707)
Profit for the year		**15,991**	37,767
Other comprehensive (expenses) income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations			
Exchange difference arising during the year		**(249)**	1,667
Reclassification adjustments relating to derecognition of foreign subsidiaries during the year		**(321)**	–
		(570)	1,667
Total comprehensive income for the year		**15,421**	39,434
Profit for the year attributable to:			
Owners of the Company		**12,512**	33,856
Non-controlling interests		**3,479**	3,911
Profit for the year		**15,991**	37,767

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		**11,906**	35,424
Non-controlling interests		**3,515**	4,010
Total comprehensive income for the year		**15,421**	39,434
Earnings per share	14		
From continuing and discontinued operations			
Basic		**4.48 Cents**	12.93 Cents
Diluted		**4.37 Cents**	12.85 Cents
From continuing operations			
Basic		**7.44 Cents**	14.73 Cents
Diluted		**7.27 Cents**	14.64 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**63,818**	35,264
Investment property	16	**11,400**	10,200
Deferred tax assets	26	**4,140**	4,075
Deferred rental income		**5**	10
		79,363	49,549
CURRENT ASSETS			
Inventories	17	**26,527**	39,689
Trade and other receivables	18	**32,986**	38,741
Deferred rental income		**5**	5
Amounts due from a related company	35	**62**	527
Tax recoverable		**362**	771
Investments held-for-trading	21	**46,675**	59,736
Derivative financial instruments	20	**175**	354
Financial assets designated as at fair value through profit or loss	22	**1,299**	–
Pledged bank deposits	23	**6,746**	8,281
Bank balances and cash	19	**86,406**	75,318
		201,243	223,422
CURRENT LIABILITIES			
Trade and other payables	24	**35,917**	41,260
Derivative financial instruments	20	**945**	4,508
Tax liabilities		**6,829**	4,243
Bank borrowings	25	**21,918**	9,221
		65,609	59,232
NET CURRENT ASSETS		**135,634**	164,190
TOTAL ASSETS LESS CURRENT LIABILITIES		**214,997**	213,739
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**368**	245
NET ASSETS		**214,629**	213,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	27	**29,012**	26,072
Reserves		**171,897**	175,259
Equity attributable to owners of the Company		**200,909**	201,331
Non-controlling interests		**13,720**	12,163
TOTAL EQUITY		**214,629**	213,494

The consolidated financial statements on pages 45 to 126 were approved and authorised for issue by the Board of directors on 25 March 2014 and are signed on its behalf by:

DIRECTOR DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK'000	Share premium HK'000	Capital redemption reserve HK'000	Share options reserve HK'000	Translations reserve HK'000	Retained profits HK'000	Equity attributable to equity holders of the Company HK'000	Non–controlling interests HK'000	Total HK'000
At 1 January 2012	26,381	65,622	9,578	8,384	388	91,059	201,412	9,223	210,635
Profit for the year	–	–	–	–	–	33,856	33,856	3,911	37,767
Other comprehensive income for the year									
Exchange difference on translation of overseas operations	–	–	–	–	1,568	–	1,568	99	1,667
Total comprehensive income for the year	–	–	–	–	1,568	33,856	35,424	4,010	39,434
Share issued upon exercise of options	350	2,148	–	(472)	–	–	2,026	–	2,026
Dividends (note 13)	–	–	–	–	–	(33,996)	(33,996)	(1,070)	(35,066)
Share option lapsed	–	–	–	(965)	–	965	–	–	–
Share option granted	–	–	–	1,392	–	–	1,392	–	1,392
Repurchase and cancellation of shares	(659)	(4,268)	659	–	–	(659)	(4,927)	–	(4,927)
At 31 December 2012	26,072	63,502	10,237	8,339	1,956	91,225	201,331	12,163	213,494
At 1 January 2013	26,072	63,502	10,237	8,339	1,956	91,225	201,331	12,163	213,494
Profit for the year	–	–	–	–	–	12,512	12,512	3,479	15,991
Other comprehensive income for the year									
Exchange difference on translation of overseas operations	–	–	–	–	(285)	–	(285)	36	(249)
Reclassification adjustments relating to derecognition of subsidiaries during the year	–	–	–	–	(321)	–	(321)	–	(321)
Total comprehensive income for the year	–	–	–	–	(606)	12,512	11,906	3,515	15,421
Share issued upon exercise of options	3,040	23,775	–	(5,573)	–	–	21,242	–	21,242
Dividends (note 13)	–	–	–	–	–	(34,781)	(34,781)	(1,958)	(36,739)
Share option granted	–	–	–	2,123	–	–	2,123	–	2,123
Repurchase and cancellation of shares	(100)	(812)	100	–	–	(100)	(912)	–	(912)
At 31 December 2013	29,012	86,465	10,337	4,889	1,350	68,856	200,909	13,720	214,629

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**25,116**	43,252
Adjustments for:		
Allowance for doubtful debts	**–**	2,777
Bond interest income	**(312)**	–
Depreciation of property, plant and equipment	**8,242**	8,983
Dividend income from investment held-for-trading	**(1,429)**	(2,328)
Gain on disposal of property, plant and equipment	**(2,091)**	(2,115)
Gain on derecognition of subsidiaries	**(2,786)**	–
Loss (gain) on disposal of investments held-for-trading	**945**	(8,053)
Net change in fair value of investment property	**(1,200)**	(1,700)
Interest expenses	**317**	371
Interest income	**(58)**	(63)
Net change in fair value of derivative financial instruments	**(3,384)**	1,084
Net change in fair value of investments held-for-trading	**1,293**	(8,900)
Net change in fair value of financial assets designated as at fair value through profit or loss	**(49)**	–
Share-based payment expenses	**2,123**	1,392
Written down of inventories	**573**	–
Operating cash flows before movements in working capital	**27,300**	34,700
Decrease in trade and other receivables	**5,755**	11,532
Decrease in inventories	**12,589**	20,567
Decrease (increase) in deferred rental income	**5**	(15)
Decrease in trade and other payables	**(2,878)**	(13,891)
Decrease in amount due from a related company	**465**	634
Cash generated from operations	**43,236**	53,527
Hong Kong Profits Tax paid, net	**(5,780)**	(2,027)
PRC Enterprise Income Tax paid, net	**(292)**	(265)
NET CASH FROM OPERATING ACTIVITIES	**37,164**	51,235
INVESTING ACTIVITIES		
Decrease (increase) in pledged bank deposits	**1,535**	(7,027)
Dividends received from investments held-for-trading	**1,429**	2,328
Interest received	**58**	63
Proceeds on disposal of investments held-for-trading	**56,091**	76,605
Purchase of financial assets designated as at fair value through profit or loss	**(1,250)**	–
Bond interest income	**312**	–
Proceeds on disposal of property, plant and equipment	**5,524**	2,843
Purchase of investments held-for-trading	**(45,268)**	(51,363)
Purchase of property, plant and equipment	**(40,229)**	(5,945)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(21,798)**	17,504

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	**(34,781)**	(33,996)
Dividends paid to non-controlling interests	**(1,958)**	(1,070)
Interest paid	**(317)**	(371)
New bank borrowings and trust receipt loans raised	**72,773**	16,878
Payment for repurchase of shares	**(912)**	(4,927)
Proceeds received upon share option exercised	**21,242**	2,026
Repayment of bank borrowings and trust receipt loans	**(60,076)**	(33,327)
NET CASH USED IN FINANCING ACTIVITIES	**(4,029)**	(54,787)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,337**	13,952
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**75,318**	60,399
Effect of change in foreign exchange rates	**(249)**	967
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**86,406**	75,318
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**86,406**	75,318

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business was changed from 7th Floor, E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, Aberdeen, Hong Kong to Units C&D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong with effect from 14 January 2014.

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

The principal activities of the Group are the manufacture and sale of novelties, decorations, packaging and toys products.

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

New and revised HKFRSs applied with no material effects on the financial statements

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2012, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised HKFRSs applied with no material effects on the financial statements *(Cont'd)*

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for sharebased payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

New and revised HKFRSs applied with no material effects on the financial statements *(Cont'd)*

HKFRS 13 Fair Value Measurement (Cont'd)

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16 and 36 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

HKFRS 9 Financial Instruments (Cont'd)

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

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

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities (Cont'd)

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

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

New and revised HKFRSs in issue but not yet effective *(Cont'd)*

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 addresses the issues of financial reporting requirements for rate-regulated assets and liabilities (which are termed "regulatory deferral account balances") that arises when an entity is subject to rate regulation.

The directors anticipate that the application of HKFRS 14 will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of preparation *(Cont'd)*

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

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

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of preparation *(Cont'd)*

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. 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.

Revenue recognition

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

Sale of goods

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Sale of goods (Cont'd)

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

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rental income

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

Management fee income is recognised where services are rendered.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment *(Cont'd)*

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of tangible and intangible assets other than goodwill *(Cont'd)*

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

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

Leasing

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

The Group as lessor

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing *(Cont'd)*

The Group as lessee (Cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land for own use

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax (Cont'd)

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

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

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

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

Current and deferred tax for the year

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 36.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

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

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is a part of a portfolio of an identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 36.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition (Cont'd)

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

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

Provisions

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

The amounts recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payment arrangements

Share-based payment transactions of the Company

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

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

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

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

When share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquire awards and the replacement awards are measured in accordance with HKFRS 2 Share-based Payment ('market-based measure') at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with HKFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payment arrangements *(Cont'd)*

Share-based payment transactions of the Company (Cont'd)

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

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

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Key sources of estimation uncertainty

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

Depreciation

The Group's net book value of property, plant and equipment as at 31 December 2013 was approximately HK$63,818,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate 3% to 30% per annum, commencing from the date the assets is placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required.

Recoverability of Deferred Tax Assets

As at 31 December 2013, a deferred tax asset of HK$3,310,000 in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The recoverability of deferred tax assets requires the Group to estimate the probability of taxable profits expected to arise from future operations. At the end of each reporting period, management evaluates the recoverability of deferred tax assets by way of profit forecast when necessary.

Impairment on inventories

The management of the Group reviews an aging analysis at each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides impairment on obsolete items.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year from continuing operations.

	2013	2012
	HK$'000	HK$'000
Novelties and decorations products	**66,216**	77,142
Toys products	**182,525**	180,737
	248,741	257,879

6. SEGMENTS REPORTING

For management purposes, the Group is currently organised into three operating segments, namely the manufacture and sale of novelties and decorations products, the manufacture and sale of packaging products and the manufacture and sale of toy products.

Manufacture and sale of packaging products was discontinued in the current year (Trading of PVC films and plastic materials was discontinued in 2012). The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 12.

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

2013

	Novelties and decorations products HK$'000	Toy products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	66,216	182,525	–	248,741
Inter-segment sales	–	–	–	–
Total revenue or continuing operations	66,216	182,525	–	248,741
RESULT				
Segment result	2,062	29,897	–	31,959
Profit from investments				2,888
Increase in fair value of an investment property				1,200
Unallocated corporate expenses				(3,018)
Finance costs				(317)
Profit before tax				32,712
Income tax expenses				(8,449)
Profit for the year				24,263

Inter-segment sales are charged at prevailing market rates.

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	56,806	102,165	158,971
Unallocated corporate assets			104,532
Assets relating to packaging products			17,103
Consolidated total assets			280,606
LIABILITIES			
Segment liabilities	13,931	29,594	43,525
Unallocated corporate liabilities			20,755
Liabilities relating to packaging products			1,697
Consolidated total liabilities			65,977

	Novelties and decorations products HK$'000	Toy products HK$'000	Others HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	1,206	7,363	31,660	40,229
Depreciation and amortisation	1,578	4,784	489	6,851
Interest income	20	16	2	38

6. SEGMENTS REPORTING *(Cont'd)*

2012

	Novelties and decorations products HK$'000	Toy products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	77,142	180,737	–	257,879
Inter-segment sales	–	–	–	–
Total revenue or continuing operations	77,142	180,737	–	257,879
RESULT				
Segment result	(1,558)	30,001	–	28,443
Profit from investments				18,199
Increase in fair value of an investment property				1,700
Unallocated corporate expenses				(56)
Finance costs				(315)
Profit before tax				47,971
Income tax expenses				(5,497)
Profit for the year				42,474

Inter-segment sales are charged at prevailing market rates.

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	63,898	93,876	157,774
Unallocated corporate assets			81,344
Assets relating to PVC films and plastic material operations			1,653
Assets relating to packaging products			32,200
Consolidated total assets			272,971
LIABILITIES			
Segment liabilities	22,638	25,800	48,438
Unallocated corporate liabilities			6,828
Liabilities relating to PVC films and plastic material operations			49
Liabilities relating to packaging products			4,162
Consolidated total liabilities			59,477

	Novelties and decorations products HK$'000	Toy products HK$'000	Others HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	680	5,182	53	5,915
Depreciation and amortisation	1,961	4,810	8	6,779
Interest income	20	15	1	36

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENTS REPORTING *(Cont'd)*

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

- all assets are allocated to operating segments other than held-for-trading investments, other financial assets, investment property, land and building held for own use and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than deferred tax liabilities, other financial liabilities and borrowings. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical Information

The Group's revenue from continuing operations from external customers by location of operations are detailed below:

	2013	2012
	HK$'000	HK$'000
Sales revenue by geographical market:		
Hong Kong	**10,841**	27,358
Europe	**85,560**	60,861
America	**53,649**	68,230
Asia (other than Hong Kong)	**96,777**	90,569
Others	**1,914**	10,861
	248,741	257,879

6. SEGMENTS REPORTING *(Cont'd)*

Geographical Information *(Cont'd)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**188,644**	167,956	**32,311**	506
The People's Republic of China (the "PRC")	**91,962**	105,015	**7,918**	5,409
	280,606	272,971	**40,229**	5,915

Information about major customer

Included in revenues arising from sales of toy products of approximately HK$182,525,000 (2012: HK$180,737,000) are revenues of approximately HK$173,097,000 (2012: HK$113,851,000) which arose from sales to the Group's largest customer.

7. NET OTHER INCOME

	2013 HK$'000	2012 HK$'000
Continuing operations		
Bad debt recovered	**51**	44
Bond interest income	**312**	–
Dividend incomes on investments held-for-trading	**1,429**	2,328
Gain on disposal of property, plant and equipment	**121**	140
Gain on derecognition of subsidiaries	**2,786**	–
Interest income	**38**	36
Net change in fair value of investments held-for-trading	**(1,293)**	8,900
Net change in fair value of derivative financial instruments	**3,384**	(1,084)
Net change in fair value of financial assets designated as at fair value through profit or loss	**49**	–
Rental income	**366**	16
Realised (loss) gain on disposal of investments held-for-trading	**(945)**	8,053
Sample sales	**–**	1,092
Scrap sales	**812**	733
Others	**2,315**	1,501
	9,425	21,759

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**216**	315
Bank borrowings not wholly repayable within five years	**101**	–
	317	315

9. PROFIT BEFORE TAX

	2013 HK$'000	2012 HK$'000
Continuing operations		
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**885**	795
Allowance for doubtful debts	**–**	2,643
Bad debt recovered	**51**	–
Cost of inventories recognised as an expense	**75,190**	81,905
Depreciation of property, plant and equipment	**6,851**	6,779
Foreign exchange losses, net	**3,266**	408
Operating lease rentals in respect of rented premises	**5,865**	5,395
Gross rental income from investment properties	**(178)**	(16)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	**33**	5
Direct operating expenses incurred for investment properties that did not generate rental income during the year	**–**	27
	(145)	16
Share-based payment expenses	**2,123**	1,392
Staff costs (including Directors' emoluments)	**85,133**	85,189

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven Directors in 2013 were as follows:

Emoluments	**Fees**	**Other emoluments: Salaries and other benefits**	**Other emoluments: Retirement benefit scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Poon Siu Chung	–	2,007	40	2,047
Tsui Yan Lee, Benjamin	–	1,080	30	1,110
Poon Wai Tsun, William	–	1,304	15	1,319
Poon Wai Yip, Albert	–	1,280	15	1,295
Choy Wing Keung, David	50	–	–	50
Lam Yat Cheong	50	–	–	50
Yip Chi Hung	50	–	–	50
Total for 2013	150	5,671	100	5,921

The emoluments paid or payable to each of the eight Directors in 2012 were as follows:

Emoluments	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Poon Siu Chung	–	1,205	34	1,239
Ip Siu On *	–	579	25	604
Tsui Yan Lee, Benjamin	–	1,395	30	1,425
Poon Wai Tsun, William	–	903	14	917
Poon Wai Yip, Albert	–	866	14	880
Choy Wing Keung, David	50	35	–	85
Lam Yat Cheong	50	35	–	85
Yip Chi Hung	50	35	–	85
Total for 2012	150	5,053	117	5,320

* Resigned on 22 May 2012

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, four (2012: four) were Directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining one (2012: one) individual were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**823**	1,060
Retirement benefit schemes contributions	**1**	14
	824	1,074

Their emoluments were within the following bands:

	2013 **Number of** **employees**	2012 Number of employees
Nil – HK$1,000,000	**1**	–
HK$1,000,001- HK$1,500,000	**–**	1
	1	1

11. INCOME TAX EXPENSES

	2013 HK$'000	2012 HK$'000 (Restated)
Relating to continuing operations		
Current tax:		
Hong Kong Profits Tax	**6,750**	3,785
PRC Enterprise Income Tax	**46**	24
	6,796	3,809
Under (over) provision in prior year:		
Hong Kong Profits Tax	**2,226**	(60)
PRC Enterprise Income Tax	**–**	–
	2,226	(60)
Deferred tax:		
Current year	**(573)**	1,748
Total income tax expenses recognised in profit or loss	**8,449**	5,497

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

11. INCOME TAX EXPENSES *(Cont'd)*

The tax charge for the year can be reconciled to the profit before tax as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax (from continuing operations)	**32,712**	47,971
Tax at Hong Kong Profits Tax rate of 16.5%	**5,397**	7,915
Tax effect of income not taxable for tax purpose	**(1,858)**	(3,917)
Tax effect of expenses not deductible for tax purpose	**3,781**	1,520
Tax effect on temporary differences not recognised	**(136)**	–
Tax effect on tax losses not recognised	**(62)**	330
Utilisation of tax losses not previously recognised	**(15)**	–
Under (over) provision in prior year	**2,226**	(60)
Effect of different tax rates of group entities operating in the PRC	**(884)**	(291)
Tax charge for the year (relating to continuing operations)	**8,449**	5,497

12. DISCONTINUED OPERATIONS

Discontinue of manufacture and sale of packaging products

During the year, the directors had resolved to terminate the operations of manufacture and sale of packaging products as a result of its poor performance and the lack of sign of improvement in the future.

Analysis of loss for the year from discontinued operations

The results of the discontinued operations (manufacture and sale of packaging products) included in the profit for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year and the trading of PVC films and plastic materials which was discontinued last year.

12. DISCONTINUED OPERATIONS *(Cont'd)*

Analysis of loss for the year from discontinued operations *(Cont'd)*

	2013 HK$'000	2012 HK$'000
Loss for the year from discontinued operations		
Revenue	**12,223**	41,499
Cost of sales	**(13,967)**	(41,073)
Gross (loss) profit	**(1,744)**	426
Net other income	**2,578**	2,437
Distribution costs	**(754)**	(2,570)
Administrative expenses	**(7,676)**	(4,956)
Finance costs	**–**	(56)
Loss before tax	**(7,596)**	(4,719)
Income tax (expenses) credit	**(676)**	12
Loss for the year from discontinued operations	**(8,272)**	(4,707)
Discontinued operations		
Loss for the year from discontinued operations	**(8,272)**	(4,707)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	**1,391**	2,204
Auditor's remuneration	**105**	135
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	**856**	(4,449)
Net cash inflows from investing activities	**4,994**	2,237
Net cash outflows from financing activities	**–**	(5,893)
Net cash inflows (outflows)	**5,850**	(8,105)

13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim, paid – 1.0 HK cent (2012: 2.0 HK cents) per share	**2,901**	5,230
Final and special, paid – 11.0 HK cents per share for 2012 (2012: 11.0 HK cents per share for 2011)	**31,880**	28,766
	34,781	33,996

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2013 of 3.0 HK cents (2012: 4.0 HK cents) per share and a special one-off dividend of 7.0 HK cents per share have been proposed by the Directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the net profit for the year of approximately HK$12,512,000 (2012: profit of HK$33,856,000) and the following data:

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**279,202,368**	261,871,378
Effect of dilutive potential ordinary shares on share options	**6,816,212**	1,552,807
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**286,018,580**	263,424,185

14. EARNINGS PER SHARE *(Cont'd)*

From continuing operations

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

Earnings figures are calculated as follows:

	2013	2012
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**12,512**	33,856
Add: Loss for the year from discontinued operations	**8,272**	4,722
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**20,784**	38,578

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is 2.96 HK cents per share (2012: 1.80 HK cents per share) and diluted loss per share for the discontinued operations is 2.96 HK cents per share (2012: 1.80 HK cents per share), based on the loss for the year from the discontinued operations of HK$8.3 million (2012: HK$4.7 million). The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Diluted loss per share for the discontinued operations is same as basic loss per share for the discontinued operations because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share for the discontinued operations for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Factory premises HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2012	–	38,195	32,581	203,203	5,426	279,405
Additions	–	125	452	4,954	414	5,945
Disposals	–	–	(223)	(8,802)	(559)	(9,584)
Exchange alignment	–	25	17	708	47	797
At 31 December 2012 and 1 January 2013	–	38,345	32,827	200,063	5,328	276,563
Additions	31,660	–	1,613	6,356	600	40,229
Disposals	–	–	(194)	(41,443)	(828)	(42,465)
Exchange alignment	–	–	–	–	–	–
At 31 December 2013	31,660	38,345	34,246	164,976	5,100	274,327
DEPRECIATION AND AMORTISATION						
At 1 January 2012	–	31,812	27,256	177,454	4,553	241,075
Provided for the year	–	2,157	819	5,693	314	8,983
Eliminated upon disposals	–	–	(213)	(8,086)	(559)	(8,858)
Exchange alignment	–	10	4	77	8	99
At 31 December 2012 and 1 January 2013	–	33,979	27,866	175,138	4,316	241,299
Provided for the year	475	1,529	757	5,132	349	8,242
Eliminated upon disposals	–	–	(192)	(38,022)	(818)	(39,032)
Exchange alignment	–	–	–	–	–	–
At 31 December 2013	475	35,508	28,431	142,248	3,847	210,509
CARRYING VALUES						
At 31 December 2013	31,185	2,837	5,815	22,728	1,253	63,818
At 31 December 2012	–	4,366	4,961	24,925	1,012	35,264

15. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

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

Land and buildings	3-5%
Factory premises	5-20%
Furniture, fixtures and office equipment	15-20%
Plant, machinery and moulds	10-20%
Motor vehicles	25-30%

The Group has not obtained Certificate for Housing Ownership in respect of the Group's factory premises with carrying value of approximately HK$2,837,000 (2012: HK$4,366,000) at 31 December 2013.

16. INVESTMENT PROPERTY

	2013	2012
	HK$'000	HK$'000
At fair value		
Balance at the beginning of the year	**10,200**	8,500
Additions	**–**	–
Gain on property revaluation	**1,200**	1,700
Balance at the end of the year	**11,400**	10,200

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2013 have been arrived at on the basis of a valuation carried out at that date by Messrs. Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group. Messrs. Peak Vision Appraisals Limited is members of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in relevant locations.

The fair value was determined based on Direct Comparison Approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is its current use.

One of the key inputs used in valuing the investment property was the unit sale rate taking into account of time, location and individual factors such as size and levels of building, which approximate HK$8,000 per square feet. A decrease in the unit sale rate would result in decrease in fair value measurement of the investment properties by the same percentage decrease and vice versa.

16. INVESTMENT PROPERTY *(Cont'd)*

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Commercial property units located in Hong Kong	**–**	**–**	**11,400**	**11,400**

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment property shown above comprise:

	2013	2012
	HK$'000	HK$'000
Land in Hong Kong:		
Medium-term lease	**11,400**	10,200

17. INVENTORIES

	2013	2012
	HK$'000	HK$'000
Raw materials	**14,613**	24,681
Work in progress	**2,496**	3,443
Finished goods	**9,418**	11,565
	26,527	39,689

Inventories of HK$Nil (2012: HK$Nil) are expected to be recovered after more than twelve months.

18. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade receivables	**29,990**	50,864
Less: impairment loss on trade receivables	**(7,144)**	(17,956)
	22,846	32,908
Prepayment and other receivables	**10,140**	5,833
	32,986	38,741

The Group allows an average credit period of 60 days to its trade customers.

The following is an aging analysis of the Group's trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	2013	2012
	HK$'000	HK$'000
0 – 60 days	**20,279**	31,451
61 – 90 days	**1,453**	1,018
91 – 120 days	**53**	171
Over 120 days	**1,061**	268
	22,846	32,908

18. TRADE AND OTHER RECEIVABLES *(Cont'd)*

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at the end of the reporting period:

	2013 **HK$'000**	2012 HK$'000
Overdue by:		
0 – 60 days	**3,759**	4,881
61 – 90 days	**15**	9
91 – 120 days	**–**	–
Over 120 days	**214**	–
	3,988	4,890

The following is the movement in the allowance for doubtful debts:

	2013 **HK$'000**	2012 HK$'000
Balance at the beginning of the year	**17,956**	15,397
Allowance for doubtful debts during the year	**–**	2,777
Amounts recovered during the year	**(71)**	(45)
Amounts written off during the year	**(10,741)**	(173)
Balance at the end of the year	**7,144**	17,956

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The fair value of the Group's trade and other receivables at 31 December 2013 approximate to the corresponding carrying amount.

18. TRADE AND OTHER RECEIVABLES *(Cont'd)*

The following is an aging analysis of the Group's impaired trade receivables:

	2013	2012
	HK$'000	HK$'000
Overdue by:		
0 – 60 days	**–**	528
61 – 90 days	**–**	2,093
91 – 120 days	**–**	–
Over 120 days	**7,144**	15,335
	7,144	17,956

19. BANK BALANCE AND CASH

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 0.01% (2012: 0.001% to 0.0099%) with an original maturity of three months or less. The fair value of these assets at 31 December 2013 approximates to the corresponding carrying amounts.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012
	HK$'000	HK$'000
Financial assets		
Equity accumulators	**101**	354
Equity decumulators	**74**	–
	175	354
Financial liabilities		
Equity accumulators	**(229)**	–
Equity decumulators	**(716)**	(4,508)
	(945)	(4,508)

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

	2013 HK$'000	2012 HK$'000
Financial assets		
Balance at the beginning of the year	**354**	622
Changes in fair value of derivative financial instruments	**(179)**	(268)
Balance at the end of the year	**175**	354
Financial liabilities		
Balance at the beginning of the year	**(4,508)**	(3,692)
Changes in fair value of derivative financial instruments	**3,563**	(816)
Balance at the end of the year	**(945)**	(4,508)

The derivatives are measured at fair value at each reporting date. Fair value is determined in the manner as described in note 36.

At 31 December 2013, the major terms of the listed equity accumulators/decumulators contracts are as follows:

Nominal amount	Underlying Securities	Nature	Maturity	Forward prices
HK$4,115,088	CNOOC Limited	Accumulator	18 February 2014	HK$13.94
HK$4,059,049	Agricultural Bank of China Limited	Accumulator	18 February 2014	HK$3.59
HK$4,773,384	CNOOC Limited	Accumulator	20 February 2014	HK$13.86
HK$4,866,372	Agricultural Bank of China Limited	Accumulator	04 March 2014	HK$3.30
HK$5,101,056	PetroChina Company Limited	Accumulator	14 May 2014	HK$8.64
HK$4,811,268	CNOOC Limited	Accumulator	11 September 2014	HK$13.97
HK$4,719,676	China Petroleum & Chemical Corporation	Accumulator	11 December 2014	HK$5.62
HK$4,929,725	China Life Insurance Company Limited	Accumulator	12 December 2014	HK$20.79
HK$4,339,790	CNOOC Limited	Accumulator	19 December 2014	HK$12.55
HK$5,539,716	CNOOC Limited	Decumulator	23 July 2014	HK$16.02
HK$5,192,928	China Petroleum & Chemical Corporation	Decumulator	30 July 2014	HK$6.57
HK$5,439,434	CNOOC Limited	Decumulator	30 July 2014	HK$15.73
HK$5,487,846	CNOOC Limited	Decumulator	04 August 2014	HK$15.87
HK$5,382,624	Agricultural Bank of China Limited	Decumulator	12 August 2014	HK$3.63
HK$5,272,758	Agricultural Bank of China Limited	Decumulator	13 August 2014	HK$3.81
HK$5,643,456	PetroChina Company Limited	Decumulator	02 September 2014	HK$9.52
HK$5,284,375	Agricultural Bank of China Limited	Decumulator	17 September 2014	HK$4.13
HK$5,335,200	China Life Insurance Company Limited	Decumulator	04 November 2014	HK$24.00

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

The analysis of the net cash flow derived from decumulator contracts and accumulator contracts is presented in the section headed "Liquidity risk management" of note 36 to the consolidated financial statements.

Commitments arising from derivative financial instruments as at 31 December 2013 are disclosed in note 31.

21. INVESTMENTS HELD-FOR-TRADING

	2013	2012
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**31,559**	59,736
Debt securities listed overseas	**6,959**	–
Unlisted mutual funds	**8,157**	–
	46,675	59,736

The movement of investments held-for-trading during the year:

	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**59,736**	68,025
Additions	**45,268**	51,363
Disposals	**(57,036)**	(68,552)
Change in fair values of investments held-for-trading	**(1,293)**	8,900
Balance at the end of the year	**46,675**	59,736

Except unlisted mutual funds, the fair values of the investments held-for-trading are determined based on the market closing prices available on the relevant exchanges as at 31 December 2013. The fair value of the unlisted mutual funds are determined based on the closing prices available on the public-published website.

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

During the year, the Group acquired a currency linked note with financial institutions in Hong Kong. The currency linked note has a contract period of 12 months and bearing interest at maximum 5.15% per annum. The return of which was determined with reference to the exchange rate of Renminbi (RMB) against US Dollar (USD). The note is designated as fair value through profit or loss at initial recognition.

	2013	2012
	HK$'000	HK$'000
Carrying amount at the end of the year	**1,299**	–

	2013	2012
	HK$'000	HK$'000
Cost	**1,250**	–
Change in fair values of currency linked note	**49**	–
	1,299	–

Notional amount	Maturity
RMB$1,000,000	16 April 2014

The note was measured at fair value at the reporting date. Fair value is determined in the manner as described in note 36.

23. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure margin loan facilities granted to the Group and are therefore classified as current assets.

The deposits carry variable interest rate ranging from 0.001% to 1.9448% (2012: 0.01% to 3.03%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2013 approximates to the corresponding carrying amount.

24. TRADE AND OTHER PAYABLES

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

	2013 HK$'000	2012 HK$'000
0 – 60 days	**7,593**	10,303
61 – 90 days	**6,209**	2,667
91 – 120 days	**2,675**	1,361
Over 120 days	**1,172**	780
Trade payables	**17,649**	15,111
Other payables	**18,268**	26,149
	35,917	41,260

The fair value of the Group's trade and other payables at 31 December 2013 approximates to the corresponding carrying amount.

25. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured mortgage loan (Note 1)	**10,581**	–
Unsecured bank loans classified as current liabilities (Note 2)	**11,337**	9,221
	21,918	9,221

Notes:

(1) Secured by a mortgage over the Group's leasehold land and buildings and bear interest at HIBOR + 2% per annum. The weighted average effective interest rate on the bank loans is 2.22% per annum.

(2) The unsecured bank loans and unsecured trust receipt loans were secured by corporate cross guarantee given by the Group. The unsecured bank loans and unsecured trust receipt loans will be charged at variable interest rates ranging from 0.60% to 2.32% (2012: 0.61% to 2.67%).

25. BANK BORROWINGS *(Cont'd)*

The amounts are repayable as extracted from agreed repayment schedules from financial institutions are as follows:

	2013 HK$'000	2012 HK$'000
On demand or within one year	**11,646**	5,621
More than one year, but not exceeding two years	**2,743**	2,400
More than two years, but not exceeding five years	**4,841**	1,200
More than five years	**2,688**	–
	21,918	9,221
Less: carrying amount of bank loans and trust receipt loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(10,272)**	(3,600)
	11,646	5,621

During the year, the Group obtained a new mortgage loan of HK$11,200,000 (2012: HK$Nil) to finance the acquisition of property.

As all the term loans include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause"), according to HK Int 5 which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities.

26. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2012	465	(5,781)	(5,316)
(Credit) charge to income for the year	(600)	2,086	1,486
At 31 December 2012 and 1 January 2013	(135)	(3,695)	(3,830)
(Credit) charge to income for the year	(327)	385	58
At 31 December 2013	(462)	(3,310)	(3,772)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and its is probable that the temporary differences will not reverse in the foreseeable future.

With regard to the Group's investment property, as none of the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of its investment property.

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

	2013 HK$'000	2012 HK$'000
Deferred tax liabilities	**368**	245
Deferred tax assets	**(4,140)**	(4,075)
	(3,772)	(3,830)

At the end of reporting period, the Group has unused tax losses of approximately HK$105,573,000 (2012: HK$107,412,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$20,061,000 (2012: HK$22,394,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$85,512,000 (2012: HK$85,018,000) due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
700,000,000 Ordinary shares of HK$0.10 each				
Balance at the beginning of the year	**70,000**	70,000	**26,072**	26,381
Exercise of share options	**–**	–	**3,040**	350
Share repurchased and cancelled (Note)	**–**	–	**(100)**	(659)
Balance at the end of the year	**70,000**	70,000	**29,012**	26,072

Note: During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	No. of shares of HK$0.10 each	**Price per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		HK$'000	HK$'000	HK$'000
Month of repurchase				
January 2013	1,000,000	0.91	0.90	912,000
	1,000,000			912,000

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

28. PLEDGE OF ASSETS

The following assets were pledged to secure the margin loan facilities granted to the Group:

(i) Investment held-for-trading with a carrying value of approximately HK$31,559,000 (2012: HK$59,698,000); and

(ii) Bank deposits of approximately HK$5,271,000 (2012: HK$8,281,000).

At 31 December 2013, the Group has utilised margin loan facilities from bank with an amount of approximately HK$Nil (2012: HK$Nil).

28. PLEDGE OF ASSETS *(Cont'd)*

In addition to the margin loan facilities, the Group were also pledged the following assets to secure a mortgage loan:

(i) Leasehold land and buildings with a carrying amount of approximately HK$31,660,000 (2012: HK$Nil)

(ii) Bank deposits of approximately HK$1,475,000 (2012: HK$Nil).

29. OPERATING LEASES

The Group as lessee

	2013	2012
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year		
Rented premises	**5,132**	5,920

At 31 December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**2,952**	5,056
In the second to fifth years inclusive	**7,316**	8,442
Over five years	**36,086**	42,164
	46,354	55,662

Operating lease payments represent rentals payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 1 to 31 years.

29. OPERATING LEASES *(Cont'd)*

The Group as lessor

Property rental income earned from investment property during the year was HK$178,000 (2012: HK$16,000). The investment property is held for rental purposes. It is expected to generate rental yields of 1.6% (2012: 1.7%) on an ongoing basis. The property held has committed tenant for the next 2 years.

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

	2013	2012
	HK$'000	HK$'000
Within one year	**178**	178
In the second to fifth years inclusive	**176**	354
	354	532

30. CAPITAL COMMITMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	**335**	695
Authorised for but not contracted for	**454**	185

31. OTHER COMMITMENTS

At 31 December 2013, the Group carried outstanding forward contracts which entailed a commitment for sale and purchase of equity shares of notional amount of approximately HK$32,990,000 and HK$22,840,000 respectively (2012: HK$75,164,000 and HK$5,871,000) as disclosed in note 20.

32. CONTINGENT LIABILITIES

(a) Contingent liability in respect of legal claim

A subsidiary of the Group (the "Subsidiary") has served a writ and claimed against three former employees of the Subsidiary (the "Defendants"). The claim related to the misconduct of the Defendants during their employment with the Subsidiary. The Defendants has filed a defence and counterclaim against the Subsidiary for wages and other payments allegedly payable upon their termination of employment with the Subsidiary amounting to approximately HK$419,000 together with interest and costs. The Directors of the Company take the views that the amount of their claims against the Defendants well exceed the Defendants' claims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

(b) Financial guarantees issued

At the end of reporting period, the Company has issued the following guarantees:

(i) A corporate guarantee to banks in respect of banking facilities granted to its subsidiaries.

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its Subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the Subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

(ii) An unlimited guarantee granted to a subsidiary in relation to a mortgage loan (see note 25)

As at 31 December 2013, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the Subsidiaries is remote.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was HK$Nil.

33. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "Scheme") was adopted in the annual general meeting held on 30 May 2012 and expired on 29 May 2022. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of Directors may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options, to subscribe for shares in the Company in accordance with the terms of the New Scheme for the consideration of HK$1 for each lot of share options granted.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the New Scheme. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option Schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholders.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the New Scheme has been terminated. Options may be exercised during the period as the Directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the options and the board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Total consideration received during the year from the Directors and employees for taking up the options granted during the year is HK$5 (2012: HK$8).

All options were vested on the date of grant.

33. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

The exercise price is determined by the board of Directors of the Company and will be at least the highest of the followings:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

At the reporting date, the number of shares in respect of which options had been granted and remained outstanding under all the share option schemes was 24,650,000, representing approximately 8.41% of the shares of the Company in issue at that date. Subsequent to 31 December 2013, 3,000,000 share options were exercised on 8 January 2014 and 15 January 2014.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

	Option type	At 1.1.2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2012 & 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2013
Directors	B	2,000,000	–	(2,000,000)	–	–	–	–	–	–
	D	600,000	–	–	–	600,000	–	(600,000)	–	–
	E	14,400,000	–	–	(2,700,000)	11,700,000	–	(6,300,000)	–	5,400,000
	G	–	6,900,000	–	–	6,900,000	–	(6,900,000)	–	–
	H	–	–	–	–	–	5,700,000	–	–	5,700,000
		17,000,000	6,900,000	(2,000,000)	(2,700,000)	19,200,000	5,700,000	(13,800,000)	–	11,100,000
Employees	C	1,500,000	–	(1,500,000)	–	–	–	–	–	–
	D	7,000,000	–	–	–	7,000,000	–	–	–	7,000,000
	F	13,196,000	–	–	(1,598,000)	11,598,000	–	(11,598,000)	–	–
	G	–	5,000,000	–	–	5,000,000	–	(5,000,000)	–	–
	H	–	–	–	–	–	8,550,000	–	–	8,550,000
		21,696,000	5,000,000	(1,500,000)	(1,598,000)	23,598,000	8,550,000	(16,598,000)	–	15,550,000
Others	A	1,000,000	–	–	(1,000,000)	–	–	–	–	–
	B	1,000,000	–	–	–	1,000,000	–	–	–	1,000,000
		2,000,000	–	–	(1,000,000)	1,000,000	–	–	–	1,000,000
Total		40,696,000	11,900,000	(3,500,000)	(5,298,000)	43,798,000	14,250,000	(30,398,000)	–	27,650,000

33. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	5 June 2002	5 July 2002 to 17 May 2012	0.664
B	2 February 2005	2 May 2005 to 31 December 2014	0.608
C	24 March 2006	24 April 2006 to 31 December 2014	0.540
D	2 November 2007	1 December 2007 to 31 December 2016	0.850
E	13 Apr 2011	1 May 2011 to 31 December 2020	0.740
F	28 Apr 2011	1 May 2011 to 31 December 2020	0.770
G	15 June 2012	15 June 2012 to 15 June 2022	0.600
H	23 July 2013	24 July 2013 to 23 July 2023	0.710

The closing price of the Company's shares on 5 June 2002, 2 February 2005, 24 March 2006, 2 November 2007, 13 April 2011, 28 April 2011, 15 June 2012 and 23 July 2013, being the dates of grant of the respective options, were HK$0.640, HK$0.600, HK$0.520, HK$0.850, HK$0.740, HK$0.770, HK$0.590 and HK$0.710 respectively.

According to the Binomial Option Pricing Model, the details of the options granted during the year under the Option Scheme were as follows:

Date of grant	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk free rate	Volatility	Expiration of the options	Dividend yield
23 July 2013	14,250,000	HK$2,123,000	HK$0.710	2.20%	40.29%	23 July 2023	9.73%

Share options were exercised on various dates during the year, the weighted average closing price of the Company's shares immediately before those dates was HK$1.116.

34. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund 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 are required to switch to the MPF Scheme and all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The ORSO Scheme is funded by monthly contributions from both employees and the Group at the rate of 5% the employee's basic salary.

Employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

At the end of reporting period, there was no forfeited contribution, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The total cost recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$450,000 (2012: HK$484,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties who are not members of the Group:

	2013 HK$'000	2012 HK$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	**240**	240

	2013 HK$'000	2012 HK$'000
Sales to:		
Onwell Headtrade Limited (Note a)	**1,323**	2,903
Amounts due from:		
Onwell Headtrade Limited (Note a)	**62**	527

Note a: The shareholder of the above related company is the factory manager of the subsidiary of the Group.

(b) Compensation of key management personnel

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	**5,790**	5,103
Post-employment benefits	**129**	146
Share-based payments	**849**	807
	6,768	6,056

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently has a foreign currency hedging policy and the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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

	Assets 2013 HK$'000	**Liabilities 2013 HK$'000**	Assets 2012 HK$'000	Liabilities 2012 HK$'000
Renminbi ("RMB")	**23,269**	**24,063**	10,437	10,364

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the profit for the year is as follows:

	Impact of RMB 2013 HK$'000	Impact of RMB 2012 HK$'000
Increase/decrease in profit for the year	**40**	4

Besides, at the end of the reporting period, the Group has bank balances of US$5,981,000 approximately, the sensitivity analysis of changing in USD exchange rate is insignificant as the Hong Kong dollars banknotes are fully backed by US dollar held by Exchange Fund at the rate of HK$7.8 to US$1.0.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk management

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. The majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

The maturity profiles of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarised below:

2013

	Within 1 year HK$'000	**2-5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**17,649**	**–**	**–**	**17,649**
Accruals and other payables	**18,268**	**–**	**–**	**18,268**
Derivative financial instruments	**945**	**–**	**–**	**945**
Bank borrowings	**11,646**	**7,584**	**2,688**	**21,918**
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**335**	**–**	**–**	**335**
	48,843	**7,584**	**2,688**	**59,115**

2012

	Within 1 year HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	15,111	–	–	15,111
Accruals and other payables	26,149	–	–	26,149
Derivative financial instruments	4,508	–	–	4,508
Bank borrowings	5,621	3,600	–	9,221
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	695	–	–	695
	52,084	3,600	–	55,684

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

The following table details the Group's liquidity analysis for its derivative instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows from derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows from those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000
2013				
Derivatives – net settlement				
Decumulator contract – inflow	**3,010**	**7,892**	**22,088**	**32,990**
Accumulator contract – outflow	**(3,269)**	**(5,670)**	**(13,901)**	**(22,840)**
	(259)	**2,222**	**8,187**	**10,150**
2012				
Derivatives – net settlement				
Decumulator contract – inflow	8,620	16,873	49,671	75,164
Accumulator contract – outflow	(1,567)	(2,505)	(767)	(4,839)
	7,053	14,368	48,904	70,325

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings which are not significant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the group's credit risk is significant reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk management

The Group's investments in equity listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 5% in the current year as a result of the volatile financial market.

If listed equity prices had been 5% higher/lower (2012: 5% higher/lower), profit for the year ended 31 December 2013 would increase/decrease by HK$2,334,000 (2012: HK$2,987,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair values

As at 31 December 2013, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Directors consider that financial assets at fair value through profit or loss are included in the statement of financial position at amounts approximating to their fair values.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2013 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (Highest level): fair values measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments.

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

- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2013

	Fair values as at 31 December 2013 HK$'000	**Fair value hierarchy**	**Valuation techniques and key Inputs**
Assets			
Investments held-for-trading			
–Listed equity securities	31,559	Level 1	Quoted bid prices in an active market.
–Debt securities listed overseas	6,959	Level 1	Quoted bid prices in an active market.
–Unlisted mutual funds	8,157	Level 1	Observed from public-published information.
Financial assets designated as at fair value through profit or loss			
–Currency linked note	1,299	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

	2013			
	Fair values as at 31 December 2013 HK$'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Assets				
Derivative financial assets	175	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of underlying securities, ranging from 21.5% to 28.8%. An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.
Liabilities				
Derivative financial liabilities	945	Level 3	Monte carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	Volatility of the underlying securities, ranging from 21.5% to 28.8%. An increase in the volatility of underlying securities would result in an increase in the fair value measurement of the derivative financial investments, and vice versa.

There were no transfers between Levels 1, 2 and 3 in the current year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'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 equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2013, the Group's strategy remained unchanged as compared to that in 2012. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as total borrowings divided by equity attributable to owners of the Company.

The management considers the gearing ratio at the year end was as follows:

	2013	2012
	HK$'000	HK$'000
Borrowings	**21,918**	9,221
Equity attributable to owners of the Company	**200,909**	201,331
Gearing ratio	**11%**	5%

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Asia Rich (Far East) Limited	Hong Kong	–	79.6%	HK$2	Investment holding
Benefit International Packing Materials Limited	Hong Kong	–	100%	HK$10,000	Trading of PVC films
Benefit Packing Materials Limited	Hong Kong	–	75%	HK$1,000,000	Trading of PVC films
Beyond Growth International Limited	Hong Kong	–	79.6%	HK$100,000	Manufacture and sales of toys
Dream Creation Limited	Hong Kong	–	79.6%	HK$2	Investment holding and distribution of toys
Fareastern Trade Limited	British Virgin Islands ("BVI")	–	88%	US$87,618	Investment holding
Freshwater Trading Limited	BVI	–	100%	US$1	Investment holding

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Golden Enterprise Holdings Limited	Hong Kong	–	100%	HK$2	Distribution of toys
Headfit Paper Bags Trading Limited	Hong Kong	–	100%	HK$10,000	Securities investments and trading of paper bags
iTech Limited	Hong Kong	–	100%	HK$2	Investment holding
Leader Packaging Company Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Leader Stationery & Gifts Manufacturing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture and sales of stationery products
Link Faith Company Limited	Hong Kong	–	100%	HK$10,000	Securities investments
Mars Technology Limited	BVI	–	79.6%	US$10	Investment holding
New Genius Technology Limited	BVI	–	100%	US$1	Investment holding
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK$320,000	Manufacture of novelties and festival decorations products
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	BVI	–	100%	US$1	Investment holding
Perfectech International (B.V.I.) Limited	BVI	100%	–	US$50	Investment holding
Perfectech International Toys Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Perfectech International Limited	Hong Kong	–	100%	HK$200 HK$80,000 (non-voting deferred shares)	Investment holding
Perfectech International Manufacturing Limited	BVI	–	100%	US$2,457,000	Investment holding

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK$450,000	Manufacture of packaging products
Perfectech International Trading Limited	Hong Kong	–	100%	HK$2	Trading of novelties and festival decorations
Perfectech Paper Products Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of paper products
Perfectech Plastic Limited	Hong Kong	–	100%	HK$1,000,000	Trading of plastic materials
Perfectech Printing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of printing products
Perfectech Rigid (PVC) Pipe Manufacturing Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Shouji Mould Engineering Company Limited	Hong Kong	–	88%	HK$2	Distribution of mould
Shouji Tooling Factory Limited	Hong Kong	–	88%	HK$1,000	Manufacture and sales of moulds
Skyrocket Assets Limited	BVI	–	100%	US$1	Investment holding
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK$2 HK$160,000 (non-voting deferred shares)	Securities investment
Yu-Me (H.K.) Limited	Hong Kong	–	100%	HK$2	Provision of management services
中山市威嘉紙品有限公司	The PRC	–	100%	HK$12,500,000	Manufacture of paper products
東青林模具塑膠（深圳）有限公司	The PRC	–	88%	HK$30,000,000	Manufacture and sales of moulds
珠海市多發塑膠制品有限公司	The PRC	–	100%	HK$500,000	Manufacture and trading of novelties and festival decorations products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
江門市安發塑膠制品有限公司	The PRC	–	100%	HK$600,000	Manufacture of novelties and festival decorations products
中山市威發塑膠制品有限公司	The PRC	–	100%	RMB6,000,000	Manufacture of novelties and festival decorations products
中山市志發玩具有限公司	The PRC	–	79.6%	RMB5,600,000	Manufacture and sales of toys

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

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2013 **HK$'000**	2012 HK$'000
Unlisted investments in subsidiaries	**32,061**	32,061
Bank balances and cash	**226**	58
Other current assets	**169,291**	149,688
Current liabilities	**(33,456)**	(17,540)
Tax liabilities	**(720)**	(980)
Net assets	**167,402**	163,287
Share capital (note 27)	**29,012**	26,072
Reserves	**138,390**	137,215
Total equity	**167,402**	163,287

Profit of the Company for 2013 amounted to HK$16,443,000 (2012: HK$34,945,000).

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000 (Restated)	**2013** **HK$'000**
Revenue	404,606	382,779	382,963	257,879	**248,741**
Profit (loss) before tax	45,842	21,541	(5,255)	47,971	**32,712**
Income tax (expenses) credit	(7,156)	(154)	1,623	(5,497)	**(8,449)**
Profit (loss) for the year from continuing operations	38,686	21,387	(3,632)	42,474	**24,263**
Loss for the year from discontinued operations	–	–	–	(4,707)	**(8,272)**
Profit (loss) for the year	38,686	21,387	(3,632)	37,767	**15,991**
Attributable to:					
Owners of the Company	37,776	20,175	(5,613)	33,856	**12,512**
Non-controlling interests	910	1,212	1,981	3,911	**3,479**
Profit (loss) for the year	38,686	21,387	(3,632)	37,767	**15,991**

ASSETS AND LIABILITIES

	As at 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000 (Restated)	**2013** **HK$'000**
Total assets	325,124	307,950	298,189	272,971	**280,606**
Total liabilities	(81,989)	(79,489)	(87,554)	(59,477)	**(65,977)**
Total equity	243,135	228,461	210,635	213,494	**214,629**
Non-controlling interests	9,491	9,258	9,223	12,163	**13,720**
Equity attributable to owners of the Company	233,644	219,203	201,412	201,331	**200,909**
Total equity	243,135	228,461	210,635	213,494	**214,629**

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTY

Category Location	Use	Category of lease	Group's interest
Unit 2, 8/F, Sun Hing Industrial Building, 46 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial	Medium-term	100%

LEASEHOLD LAND AND BUILDINGS

Category Location	Use	Category of lease	Group's interest
Units C & D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong.	Industrial	Medium-term	100%