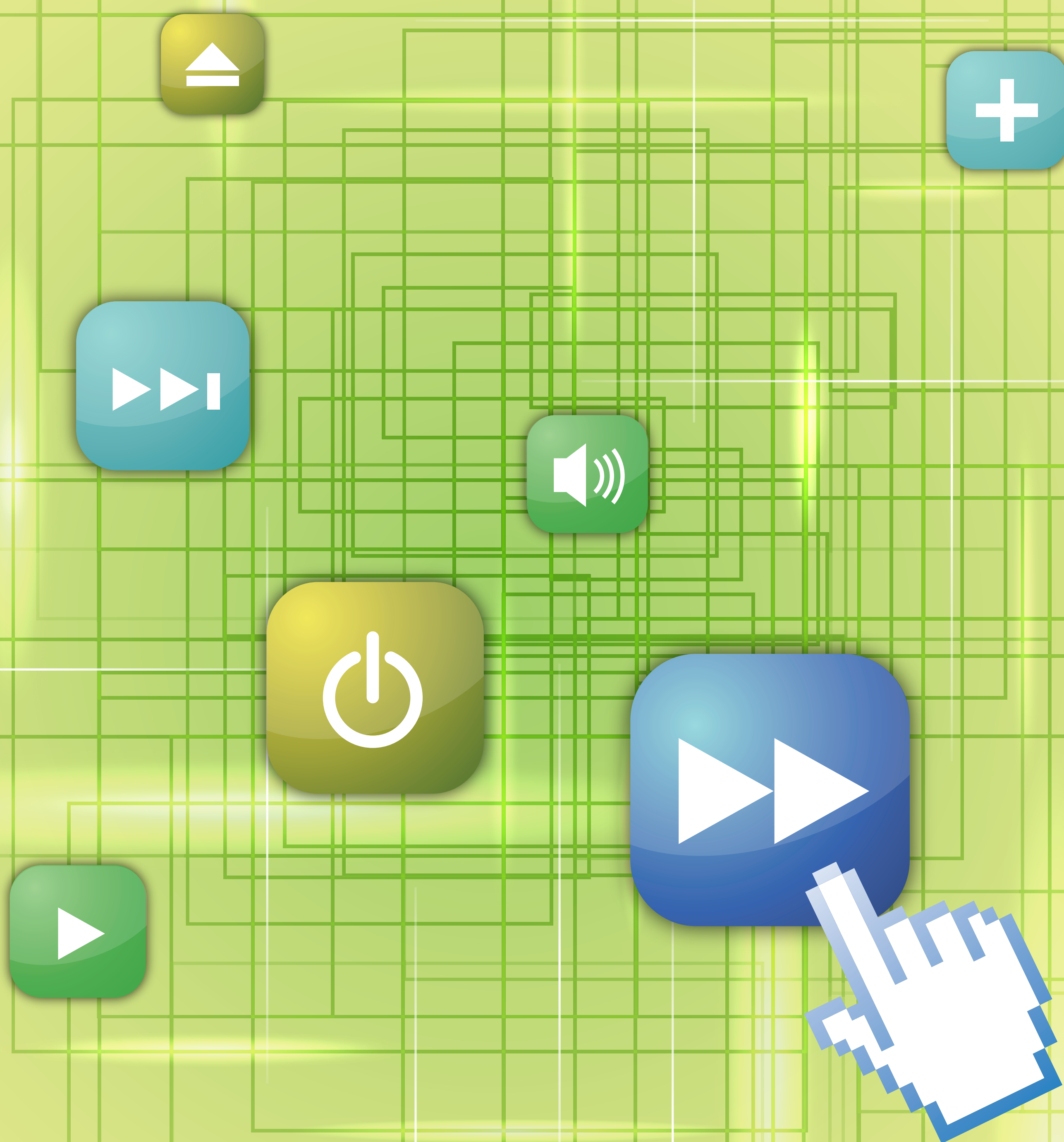
蜆殼電器控股有限公司

# SHELL ELECTRIC HOLDINGS LIMITED



# ANNUAL REPORT 2014

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# *CORPORATE INFORMATION*

## DIRECTORS

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Madam Vivian HSU
Mr. David CHOW Kai Chiu

## BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

## COMPANY SECRETARY

Mr. HUEN Po Wah

## REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

## HONG KONG OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

## AUDITOR

BDO Limited
*Certified Public Accountants*

## TRANSFER AGENT

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

## PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31st December, 2014 amounted to HK$145,973,000. Basic profit per share was HK27.9 cent.

## FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31st December, 2014 (2013: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Tuesday, 14th July, 2015 (the "AGM"), will be payable on or before Thursday, 17th September, 2015 to the Members on the register of members of the Company on Thursday, 23rd July, 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9th July, 2015 to Tuesday, 14th July, 2015, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday,8th July, 2015.

The register of members of the Company will be closed from Tuesday, 21st July, 2015 to Thursday, 23rd July, 2015, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20th July, 2015.

## BUSINESS REVIEW

### Electric Fans

During the year, the Group pulled out of the North American market of the ceiling fans business to alleviate the high operating costs. As a result, although it triggered a substantial shrinkage in revenue, it generated a boost in gross margin by 7% to 8% year on year. Business in Asian and Middle East's markets kept growing with Europe and Australia on the decline and Africa remaining stable.

Political turmoil in the Middle East depressed the area into a weak economy with weak currencies and declining consumers purchasing power. It is dampening any expectation for a turnaround next year.

### Contract Manufacturing — Optics and Imaging

Optics and Imaging Contract Manufacturing business increased slightly in 2014 compared to 2013. The turnover contribution from the Optics and Imaging Contract Manufacturing business is expected to remain stable or slightly increase in 2015.

### Contract Manufacturing — Electric and Electronics

ODM business for electric and electronics products reports more than 20% growth in turnover and it is expected to maintain the same growth trend in 2015 due to the product diversification. The production for telephones has been suspended.

### LED Lighting Products

Sales turnover of LED lighting products fell, as the Group cut back on unprofitable items in an effort to reduce the loss. This division is focusing on ODM orders and construction of China government-funded public works projects.

### Taxi Operation

Guangzhou SMC Car Rental Company Limited completed the contractual rental operating model to replace the leasing license model in 2014. The company currently owns 792 permanent Guangzhou taxi operating licenses and holds 35 taxi operating licenses with a 5-year operating term allocated from the Guangzhou Government, making a total of 827 taxi licenses. To diversify its business, the Company has been looking for opportunities to acquire companies engaged in the chauffeured limousine rental business.

## Real Estate Investment and Development

### PRC

As at 31 December 2014, the Group's portfolio of investment properties, comprised 38,369 sq. m. of Grade-A office units at Citic Plaza, Tianhe, Guangzhou. The property achieved a yearly average occupancy of approximately 97%. The Group will keep improving investment return by upward rental revision at relevant times.

In September 2014, the Group acquired an industrial property at Guangshan Road, Kemulang Village, Tianhe, Guangzhou. The Group is now planning consolidation and feasibility of redeveloping the property for long-term investment with higher return leveraging the prevailing government old factory renewal policy and city planning intention.

### United States

During 2014, the occupancy rate of the office complex in Livermore, California, improved slightly towards the end of the calendar year. However, the Tri-Valley area has not benefited greatly from the regional economic rebound, which has been limited to the urban parts of the San Francisco Bay Area. Mergers and private equity activity are expected to release over a million square feet of class A office space into the market, which will greatly impact regional office supply going forward.

### Hong Kong

The Group continued to conduct intense property renovation and optimization that would attract high quality tenants and generate a steady and improved stream of rental income for its headquarters at Shell Industrial Building at 12 Lee Chung Street, Chai Wan, Hong Kong.

As at 31 December 2014, the Group has in place two major low-density residential projects located at Kam Tsin Village, Sheung Shui and Shek Kong, Yuen Long. Both sites together offered a buildable GFA of 55,200 sq. ft. approximately. Respective applications for government approval on building works commencement and plans submission are in progress.

The Group also negotiated a Sales & Purchase Agreement with a third party for disposal of various land parcels at Ma On Kong, Yuen Long. The disposal is scheduled for completion around mid-2015.

The Group will strive to make appropriate acquisitions from time to time in Hong Kong and PRC that meet its investment criteria going forward.

## Technology Investment

### Semiconductor Device Products

2014 continued to be a strong year for PFC with year-over-year customer sales increase of 50%. Especially in China market, it contributed significantly to year 2014 revenue with almost 70% growth compared to year 2013 with the growth of mobile charger market. PFC has entered into the supply chain system of Xiaomi in 2014. The company continued to expand its sales channel and network in China, Taiwan, and Korea, as well as signing new distributors in Japan and the United States in 2015. PFC plans to maintain its focus on mobile, tablet, and LED lighting of tier-1 electronic manufacturers. The company also launched a series of Synchronous Rectifiers and Super Junction MOSFET products with expected revenue in second half of 2015.

### Enterprise Software Solutions

Appeon continues to forge its position as the leading technology provider for the SAP PowerBuilder development platform. It released a new major version of its Web and Mobile deployment software (APB), which added support for the new version of PowerBuilder released by SAP in 2014. APB was featured at numerous SAP PowerBuilder events in North America, Europe, and Asia, touting its powerful capabilities and ease of use for mobile application development. In 2014, a handful of customers successfully went live with their mobile applications, highlighting the maturity of APB for deploying mobile applications. Revenue and profits continued to be robust in 2014, and the company forecasts increases in 2015 as more customers deploy their mobile applications and engage in new PowerBuilder Web conversion projects.

## COMPUTER

NIMBOXX, the hyper-converged infrastructure company in the US, successfully launched its product and won the People's Choice Award at the 2014 GigaOm Structure "Start Up Launchpad" Competition.

## Financial Investment

For the year ended 31st December, 2014, the Group's financial investment activities recorded profit of approximately HK$230,988,000 and the market value of the Group's financial investment holdings amounted to about HK$1,017,122,000.

## REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2014 reached HK$1,268 million, up HK$86 million or 7.3% year on year. The rise in revenue came mainly from the booking of rental income of Guangzhou Citic Plaza which became fully owned by the Group as from 1 January 2014.

Profit attributable to the owners of the company for the year ended 31st December, 2014 slid from HK$183 million to HK$146 million representing a decrease of HK$37 million or 20% over the corresponding period last year. The decline in profit was mainly attributable to the continuing loss incurred in the Group's start-up computer business.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. long term loan of US$11.4 million was secured by certain assets of the group located in the United States. In addition, the Group utilized certain long-term loans totalling HK$780 million. Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2014, calculated as operating profit divided by total interest expenses net of interest income, stood at 15 times (31st December, 2013: 26 times).

## FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group continued to conduct its sales mainly in US dollars and make payments either in US dollars or Hong Kong dollars. So far as the Hong Kong dollars and the US dollars remained pegged, the Group considered that it had no significant exposure to foreign exchange risk.

## GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2014, the Group recorded a 20.7% gearing ratio (31st December, 2013: 14.63%), expressed as a percentage of total bank borrowings net of cash and pledged cash deposits to total equity of the Group.

## CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totaling HK$209 million. In addition, the Company issued guarantees to the banks amounting to HK$596 million to facilitate certain subsidiaries in obtaining banking facilities.

## CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$221 million during the period under review.

During the period under review, the Group had charges on assets totalling HK$1,949 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, China Dynasty Development Ltd. to a bank to secure a long-term loan granted to the Group.

## EMPLOYEES

As at 31st December, 2014, the Group has approximately 2,880 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition.

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances and electronic components, property leasing, property investment and development, taxi rental and securities trading. Details of the activities of its principal subsidiaries, associates and joint ventures are set out in note 56 to note 58 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated income statement on page 10.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on Thursday, 23rd July, 2015, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 41 to the financial statements.

## RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 15 and note 42 to the financial statements respectively.

## DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2014, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK$2,617,000 (2013 : HK$2,617,000).

## DONATIONS

During the year, the Group made charitable and other donations totalling HK$3,939,000 (2013: HK$17,059,000).

## PROPERTY, PLANT AND EQUIPMENT

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Billy K Yung
Madam Yung Ho Wun Ching
Madam Vivian Hsu
Mr. David Chow Kai Chiu

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Billy K Yung and Madam Vivian Hsu shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Every Director is subject to retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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.

## MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2014, the five largest customers accounted for approximately 61% of the total sales of the Group's turnover, of which 28% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for less than 29% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2014.

## AUDITOR

The financial statements for the year ended 31st December, 2014 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

**Mr. Billy K Yung**
*Chairman*

Hong Kong, 3rd June, 2015

# CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining a high standard corporate governance practices and adhering to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The board of directors of the Company (the "Board") will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

## BOARD OF DIRECTORS

The Board comprises of four members and supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. There is a clear division of responsibilities between the Board and the management. The Board is responsible for overseeing the Group's overall strategic plans, approval of major funding and investment proposals and reviewing the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the Committee of the Directors comprising of two members, namely Mr. Billy K Yung and Mr. David Chow Kai Chiu.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Billy K Yung is the Group Chairman and the Chief Executive Officer. The Board considers that the structure is more conducive to the efficient formulation and implementation of the Company's strategies.

## NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year to fill casual vacancy shall retire and submit themselves for re-election immediately following his/her appointment at the first general meeting or at the next following annual general meeting of the Company in the case of an addition to the existing Board. Further, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

As such, the Company considers that sufficient measures have been taken to ensure that the formal and transparent process for the nomination and appointment of Directors is maintained.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board is charged with the responsibility of determining the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Board takes into account the performance of the Group as well as those individual Directors and key executives.

## ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the auditor that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 9.

The Board has reviewed with management and auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2014.

The Board has recommended that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

## INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records maintained, appropriate legislation and regulations complied with, reliable financial information provided for management and publication purposes and investment and business risks affecting the Group identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers that the Group's internal control system is satisfactory.

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**TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED**
**蜆壳電器控股有限公司**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 10 to 84, which comprise the consolidated and company statements of financial position as at 31st December, 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the 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.

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 Company and of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**BDO Limited**
*Certified Public Accountants*
**Lee Ming Wai**
Practising Certificate no. P05682

Hong Kong, 3rd June, 2015

**BDO Limited**
**香港立信德豪會計師事務所有限公司**

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2014*

| | NOTES | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | **1,267,555** | 1,181,538 |
| Cost of sales and services provided | | **(991,980)** | (971,800) |
| Gross profit | | **275,575** | 209,738 |
| Other income | 7 | **54,232** | 49,063 |
| Distribution and selling expenses | | **(15,404)** | (18,843) |
| Administrative expenses | | **(236,481)** | (218,626) |
| Other operating expenses | | **(39,085)** | (3,923) |
| Other gains/(losses) | | | |
| Fair value gain on investment properties | 14 | **1,257** | 30,479 |
| Gain on disposal of investment properties | 14(c) | **—** | 106,207 |
| Fair value gain/(loss) on investments held for trading | | **259,627** | (74,350) |
| Fair value (loss)/gain on derivative financial instruments | | **(7,137)** | 937 |
| Impairment loss on available-for-sale financial assets | 22 | **(37,531)** | — |
| Gain arising from acquisition of a subsidiary | 44 | **—** | 31,324 |
| Gain arising from disposal of an associate, net | 45 | **—** | 17,818 |
| Others | | **(3,046)** | (1,029) |
| **Operating profit** | | **252,007** | 128,795 |
| Finance costs | 8 | **(42,131)** | (25,813) |
| Share of results of associates | | **(3,024)** | 162,095 |
| Share of results of joint ventures | | **2,371** | 2,222 |
| **Profit before income tax** | 9 | **209,223** | 267,299 |
| Income tax expense | 10 | **(63,182)** | (85,210) |
| **Profit for the year** | | **146,041** | 182,089 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **145,973** | 183,396 |
| Non-controlling interests | | **68** | (1,307) |
| | | **146,041** | 182,089 |
| | | **HK Cents** | HK Cents |
| **Earnings per share** | | | |
| — Basic and diluted | 13 | **27.9** | 35.0 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December, 2014*

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Profit for the year** | **146,041** | 182,089 |
| **Other comprehensive income** | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Exchange difference arising from translation of overseas operations | | |
| — subsidiaries | **(4,543)** | 16,284 |
| — associates and joint ventures | **(599)** | 6,771 |
| Reclassification adjustment of translation reserve recycled to profit or loss upon disposal of an associate | **—** | 14,132 |
| Available-for-sale financial assets | | |
| —Changes in fair value | **(56,985)** | (32,145) |
| —Reclassification adjustments for impairment losses included in profit or loss | **37,531** | — |
| | **(19,454)** | (32,145) |
| | **(24,596)** | 5,042 |
| ***Items that will not be reclassified to profit or loss*** | | |
| Revaluation of land and buildings classified as property, plant and equipment (note 15 (a)) | | |
| —Changes in fair value | **213,802** | — |
| —Income tax effect | **(27,125)** | — |
| | **186,677** | — |
| Transfer of previously self-occupied properties to investment properties (note 14 (a)) | | |
| —Change in fair value | **32,020** | — |
| —Income tax effect | **(543)** | — |
| | **31,477** | — |
| | **218,154** | — |
| ***Other comprehensive income for the year, net of tax*** | **193,558** | 5,042 |
| **Total comprehensive income for the year** | **339,599** | 187,131 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **339,636** | 188,353 |
| Non-controlling interests | **(37)** | (1,222) |
| | **339,599** | 187,131 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2014*

| | NOTES | As at 31st December, 2014 HK$'000 | As at 31st December, 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 14 | **2,393,676** | 2,225,443 |
| Property, plant and equipment | 15 | **508,505** | 277,154 |
| Prepaid lease rental on land | 16 | **17,704** | 9,609 |
| Deposit paid | 28(d) | **63,380** | — |
| Prepayments for acquisition of property, plant and equipment | | **1,764** | 3,300 |
| Goodwill | 17 | **4,393** | 4,393 |
| Other intangible assets | 18 | **234,237** | 237,216 |
| Interests in associates | 20 | **160,156** | 174,571 |
| Interests in joint ventures | 21 | **7,632** | 9,585 |
| Available-for-sale financial assets | 22 | **227,364** | 134,283 |
| Other assets | 23 | **49,139** | 46,000 |
| Loans receivable | 24 | **48,035** | 47,486 |
| Finance lease receivables | 25 | **—** | 199 |
| Derivative financial instruments | 35 | **—** | 74 |
| | | **3,715,985** | 3,169,313 |
| **Current assets** | | | |
| Inventories of properties | 26 | **198,289** | 196,001 |
| Other inventories | 27 | **140,414** | 198,765 |
| Trade and bills receivables, other receivables, prepayments and deposits | 28 | **300,816** | 260,457 |
| Prepaid lease rental on land | 16 | **597** | 304 |
| Loans receivable | 24 | **5,286** | 320 |
| Finance lease receivables | 25 | **198** | 1,403 |
| Amount due from an associate | 30 | **285** | 22,858 |
| Amounts due from joint ventures | 30 | **142** | — |
| Amounts due from investees | 30 | **69** | 831 |
| Amount due from non-controlling interest | 30 | **—** | 2,957 |
| Investments held for trading | 31 | **793,058** | 549,624 |
| Tax prepaid | | **79** | 727 |
| Derivative financial instruments | 35 | **32** | 46 |
| Restricted bank deposit | 32(b) | **24,383** | 113,199 |
| Cash and bank balances | 32(a) | **332,818** | 664,191 |
| | | **1,796,466** | 2,011,683 |
| **Current liabilities** | | | |
| Trade and other payables | 33 | **487,055** | 362,511 |
| Amount due to a related party | 34 | **291** | 291 |
| Amount due to a director | 34 | **43,484** | 21,075 |
| Government grants | | **997** | 1,001 |
| Consideration payable on acquisition of a subsidiary | 44 | **—** | 6,201 |
| Taxation liabilities | | **176,470** | 189,803 |
| Bank borrowings | 36 | **461,097** | 602,595 |
| Other liabilities | 37 | **187** | 11,355 |
| | | **1,169,581** | 1,194,832 |
| **Net current assets** | | **626,885** | 816,851 |
| **Total assets less current liabilities** | | **4,342,870** | 3,986,164 |

| | NOTES | As at 31st December, 2014 HK$'000 | As at 31st December, 2013 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Derivative financial instruments | 35 | **6,632** | — |
| Government grants | | **1,864** | 2,871 |
| Bank borrowings | 36 | **566,228** | 598,500 |
| Other liabilities | 37 | **—** | 14,229 |
| Loan from non-controlling interest | 38 | **5,406** | 5,112 |
| Deferred tax liabilities | 40 | **532,938** | 468,424 |
| | | **1,113,068** | 1,089,136 |
| **Net assets** | | **3,229,802** | 2,897,028 |
| **Capital and reserves** | | | |
| Share capital | 41 | **82** | 82 |
| Reserves | 42 | **3,220,514** | 2,884,425 |
| Equity attributable to owners of the Company | | **3,220,596** | 2,884,507 |
| Non-controlling interests | 39 | **9,206** | 12,521 |
| **Total equity** | | **3,229,802** | 2,897,028 |

**BILLY K YUNG**
*Director*

**DAVID CHOW KAI CHIU**
*Director*

# STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2014*

| | NOTES | **As at 31st December, 2014 HK$'000** | As at 31st December, 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 14 | **79,200** | 68,900 |
| Property, plant and equipment | 15 | **6,680** | 5,751 |
| Interests in subsidiaries | 19 | **9,190** | 9,190 |
| Deposit paid | 28(d) | **63,380** | — |
| Available-for-sale financial assets | 22 | **3,300** | 3,300 |
| Other assets | 23 | **49,139** | 46,000 |
| | | **210,889** | 133,141 |
| **Current assets** | | | |
| Other receivables, prepayments and deposits | 28 | **3,342** | 1,997 |
| Loans receivable | 24 | **106** | 320 |
| Amounts due from subsidiaries | 29 | **2,491,238** | 2,512,841 |
| Tax prepaid | | **—** | 648 |
| Cash and bank balances | 32(a) | **18,459** | 42,899 |
| | | **2,513,145** | 2,558,705 |
| **Current liabilities** | | | |
| Other payables and accruals | 33 | **154,312** | 29,338 |
| Amounts due to subsidiaries | 29 | **299,889** | 241,424 |
| Amount due to a director | 34 | **31,485** | 9,075 |
| Bank borrowings | 36 | **325,285** | 435,904 |
| | | **810,971** | 715,741 |
| **Net current assets** | | **1,702,174** | 1,842,964 |
| **Total assets less current liabilities** | | **1,913,063** | 1,976,105 |
| **Non-current liabilities** | | | |
| Bank borrowings | 36 | **566,228** | 598,500 |
| Deferred tax liabilities | 40 | **148** | 115 |
| | | **566,376** | 598,615 |
| **Net assets** | | **1,346,687** | 1,377,490 |
| **Capital and reserves** | | | |
| Share capital | 41 | **82** | 82 |
| Reserves | 42 | **1,346,605** | 1,377,408 |
| **Total equity** | | **1,346,687** | 1,377,490 |

**BILLY K YUNG**
*Director*

**DAVID CHOW KAI CHIU**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31st December, 2014*

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital HK$'000** | **Capital reserve HK$'000** | **Available-for-sale financial assets revaluation reserve HK$'000** | **Translation reserve HK$'000** | **Assets revaluation reserve HK$'000** | **Dividend reserve HK$'000** | **Statutory reserve HK$'000** | **Retained profits HK$'000** | **Total HK$'000** | **Non-controlling interests HK$'000** | **Total equity HK$'000** |
| **At 1st January, 2013** | 82 | 273,360 | 69,019 | 260,830 | 3,033 | 2,617 | 6,790 | 2,083,916 | 2,699,647 | 12,867 | 2,712,514 |
| Profit for the year | — | — | — | — | — | — | — | 183,396 | 183,396 | (1,307) | 182,089 |
| Exchange difference arising from translation of overseas operations | | | | | | | | | | | |
| — subsidiaries | — | — | — | 16,199 | — | — | — | — | 16,199 | 85 | 16,284 |
| — associates and joint ventures | — | — | — | 6,771 | — | — | — | — | 6,771 | — | 6,771 |
| Reclassification adjustment of translation reserve recycled to profit or loss upon disposal of an associate *(note 45)* | — | — | — | 14,132 | — | — | — | — | 14,132 | — | 14,132 |
| Fair value changes on available-for-sale financial assets | — | — | (32,145) | — | — | — | — | — | (32,145) | — | (32,145) |
| *Total comprehensive income for the year* | — | — | *(32,145)* | *37,102* | — | — | — | *183,396* | *188,353* | *(1,222)* | *187,131* |
| Changes in non-controlling interest in a subsidiary | — | — | — | — | — | — | — | (876) | (876) | 876 | — |
| Dividend paid *(note 12)* | — | — | — | — | — | (2,617) | — | — | (2,617) | — | (2,617) |
| Proposed final dividend *(note 12)* | — | — | — | — | — | 2,617 | — | (2,617) | — | — | — |
| *Transactions with owners* | — | — | — | — | — | — | — | *(3,493)* | *(3,493)* | *876* | *(2,617)* |
| **At 31st December, 2013** | 82 | 273,360 | 36,874 | 297,932 | 3,033 | 2,617 | 6,790 | 2,263,819 | 2,884,507 | 12,521 | 2,897,028 |
| **At 1st January, 2014** | 82 | 273,360 | 36,874 | 297,932 | 3,033 | 2,617 | 6,790 | 2,263,819 | 2,884,507 | 12,521 | 2,897,028 |
| Profit for the year | — | — | — | — | — | — | — | 145,973 | 145,973 | 68 | 146,041 |
| Exchange difference arising from translation of overseas operations | | | | | | | | | | | |
| — subsidiaries | — | — | — | (4,438) | — | — | — | — | (4,438) | (105) | (4,543) |
| — associates and joint ventures | — | — | — | (599) | — | — | — | — | (599) | — | (599) |
| Fair value adjustment on revaluation of land and buildings net of tax effect *(note 15 (a))* | — | — | — | — | 186,677 | — | — | — | 186,677 | — | 186,677 |
| Fair value adjustment upon transfer of previously self-occupied properties to investment properties net of tax effect *(note 14 (a))* | — | — | — | — | 31,477 | — | — | — | 31,477 | — | 31,477 |
| Fair value changes on available-for-sale financial assets | — | — | (56,985) | — | — | — | — | — | (56,985) | — | (56,985) |
| Reclassification adjustment of impairment losses on available-for-sale financial assets | — | — | 37,531 | — | — | — | — | — | 37,531 | — | 37,531 |
| *Total comprehensive income for the year* | — | — | *(19,454)* | *(5,037)* | *218,154* | — | — | *145,973* | *339,636* | *(37)* | *339,599* |
| Changes in non-controlling interest in a subsidiary | — | — | — | — | — | — | — | (930) | (930) | (3,278) | (4,208) |
| Dividend paid *(note 12)* | — | — | — | — | — | (2,617) | — | — | (2,617) | — | (2,617) |
| Proposed final dividend *(note 12)* | — | — | — | — | — | 2,617 | — | (2,617) | — | — | — |
| *Transactions with owners* | — | — | — | — | — | — | — | *(3,547)* | *(3,547)* | *(3,278)* | *(6,825)* |
| **At 31st December, 2014** | 82 | 273,360 | 17,420 | 292,895 | 221,187 | 2,617 | 6,790 | 2,406,245 | 3,220,596 | 9,206 | 3,229,802 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31st December, 2014*

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before income tax | **209,223** | 267,299 |
| Adjustments for: | | |
| Share of results of associates | **3,024** | (162,095) |
| Share of results of joint ventures | **(2,371)** | (2,222) |
| Gain arising from acquisition of a subsidiary | **—** | (31,324) |
| Gain arising from disposal of an associate, net | **—** | (17,818) |
| Fair value gain on investment properties | **(1,257)** | (30,479) |
| Fair value (gain)/loss on investments held for trading | **(259,627)** | 74,350 |
| Fair value loss/(gain) on derivative financial instruments | **7,137** | (937) |
| Depreciation and amortisation | **42,352** | 42,205 |
| Government grants | **(993)** | (643) |
| Impairment loss/(Reversal of impairment loss) on loans and receivables | **9,164** | (12,485) |
| Impairment loss on available-for-sale financial assets | **37,531** | — |
| Write-off of loans and receivables | **501** | — |
| (Reversal of allowance)/Allowance of inventories | **(5,690)** | 11,225 |
| Interest income | **(12,981)** | (10,264) |
| Interest expenses | **29,731** | 15,302 |
| Loss on early settlement of other liabilities | **2,058** | — |
| Loss on disposal of property, plant and equipment | **4,509** | 685 |
| Gain on disposal of investment properties | **—** | (106,207) |
| Write-off of property, plant and equipment | **1,238** | 10 |
| Exchange difference | **1,179** | (105) |
| **Operating cash flows before movements in working capital** | **64,728** | 36,497 |
| Increase in inventories of properties | **(2,288)** | (878) |
| Decrease/(Increase) in other inventories | **63,574** | (28,903) |
| Increase in trade and bills receivables, other receivables, prepayments and deposits | **(42,528)** | (14,352) |
| Decrease in amount due from an associate | **22,573** | 98 |
| Increase in amounts due from joint venture | **(142)** | — |
| Increase in amounts due from investees | **(459)** | (1,770) |
| (Increase)/Decrease in derivative financial instrument | **(417)** | 1,069 |
| Decrease in finance lease receivables | **1,404** | 1,654 |
| Decrease/(Increase) in investments held for trading | **14,794** | (42,848) |
| Increase/(Decrease) in trade and other payables | **123,954** | (14,497) |
| Increase/(Decrease) in amount due to a director | **22,409** | (3,425) |
| **Cash generated from/(used in) operations** | **267,602** | (67,355) |
| Hong Kong profits tax refunded, net | **484** | 55 |
| Tax paid in other jurisdictions | **(39,300)** | (21,039) |
| **Net cash generated from/(used in) operating activities** | **228,786** | (88,339) |

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Investing activities** | | |
| Proceeds from disposal of equity interests in an associate, net *(note 45)* | **—** | 31,808 |
| Proceeds from disposal of investment properties | **—** | 493,536 |
| Proceeds from disposal of property, plant and equipment | **4,008** | 737 |
| Interest element of finance lease receivables | **169** | 93 |
| Interest received | **12,735** | 11,825 |
| Dividend received from associates | **10,370** | 53,078 |
| Dividend received from a joint venture | **4,201** | — |
| Purchase of property, plant and equipment | **(67,706)** | (45,699) |
| Purchase of investment properties | **(142,922)** | (3) |
| Purchase of antiques, net | **(3,139)** | (3,103) |
| Payment for acquisition of additional interest in a subsidiary *(note 44)* | **(6,201)** | (721,955) |
| Deposit paid *(note 28(d))* | **(63,380)** | — |
| (Increase)/Repayment of loans receivable, net | **(11,299)** | 14,845 |
| Additions to available-for-sale of financial assets | **(150,066)** | — |
| Increase in bank deposits maturing beyond three months | **30,815** | 13,858 |
| Decrease/(Increase) in restricted bank deposit | **88,816** | (113,199) |
| Capital injection in a joint venture | **(4)** | — |
| **Net cash used in investing activities** | **(293,603)** | (264,179) |
| **Financing activities** | | |
| New bank and other borrowings | **417,208** | 1,269,270 |
| Repayment of bank borrowings | **(590,984)** | (696,781) |
| Repayment of other liabilities | **(27,377)** | — |
| Dividends paid | **(2,617)** | (2,617) |
| Interest paid | **(29,793)** | (14,013) |
| **Net cash (used in)/generated from financing activities** | **(233,563)** | 555,859 |
| **Net (decrease)/increase in cash and cash equivalents** | **(298,380)** | 203,341 |
| **Cash and cash equivalents at 1st January** | **568,602** | 354,631 |
| **Effect of foreign exchange rate change** | **(2,178)** | 10,630 |
| **Cash and cash equivalents at 31st December** | **268,044** | 568,602 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash and bank balances as stated in consolidated statement of financial position | **332,818** | 664,191 |
| Less: short-term deposits with maturity beyond three months but within one year | **(64,774)** | (95,589) |
| **Cash and cash equivalents at 31st December** | **268,044** | 568,602 |

## 1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options, electrical appliances and electronic components, property leasing, property investment and development, taxi rental and securities trading.

The financial statements on pages 10 to 84 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements for the year ended 31st December, 2014 were approved and authorised for issue by the board of directors on 3rd June, 2015.

## 2. ADOPTION OF NEW OR REVISED HKFRSs

### (a) Adoption of new or revised HKFRSs — effective 1st January, 2014

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2014:

| | |
|---|---|
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| HK (IFRIC) 21 | Levies |

#### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

#### Amendments to HKAS 36 Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit to those periods in which an impairment loss has been recognized or reversed, and expand the disclosures where the recoverable amount of impaired assets or cash generating units has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The adoption of the amendments has no material impact on these financial statements.

#### HK (IFRIC) 21 Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

## 2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

### (b) New or revised HKFRSs that have been issued but not yet effective

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

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments[5] |
| HKFRS 14 | Regulatory Deferral Accounts[3] |
| HKFRS 15 | Revenue from Contracts with Customers[4] |
| Amendments to HKAS 1 | Disclosure Initiative[3] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 11 | Accounting for Acquisition of Interests in Joint Operations[3] |
| Amendments to HKFRS | Annual Improvements 2010–2012 Cycle[2] |
| Amendments to HKFRS | Annual Improvements 2011–2013 Cycle[1] |
| Amendments to HKFRS | Annual Improvements 2012–2014 Cycle[3] |

1. *Effective for annual periods beginning on or after 1st July, 2014*
2. *Effective for annual periods beginning, or transactions occurring, on or after 1st July, 2014*
3. *Effective for annual periods beginning on or after 1st January, 2016*
4. *Effective for annual periods beginning on or after 1st January, 2017*
5. *Effective for annual periods beginning on or after 1st January, 2018*

#### HKFRS 9 (2014) Financial Instruments

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

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

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

#### HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

## 2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

### (b) New or revised HKFRSs that have been issued but not yet effective *(Continued)*

#### Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognized when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognized in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

#### Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

#### Annual Improvements 2010–2012 Cycle, 2011–2013 Cycle and 2012–2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

The Group is in the progress of making an assessment of the potential impact of these new/revised HKFRSs. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

### (c) Change of accounting policies

Previously, the Group's land and buildings classified as property, plant and equipment were stated at cost less accumulated depreciation and any impairment losses. Taking into account of the recent development of the property market, the directors of the Company are in the opinion that the adoption of revaluation model for the Group's land and buildings under property, plant and equipment would result in the financial statements providing more reliable and relevant information on the Group's financial position and financial performance. Accordingly, the Group has changed its accounting policy for its land and buildings with effect from 31st December, 2014, which is to measure land and buildings at valuation, being their fair values at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus is recognised in assets revaluation reserve in equity.

The initial application of a policy to account for some classes of property, plant and equipment under revaluation model has been dealt with in accordance with HKAS 16 Property, Plant and Equipment. Further details about the new policy are disclosed in note 3.8.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## 3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, land and buildings classified as property, plant and equipment and certain financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

## 3.2 Basis of combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 3.3 below) made up to 31st December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Basis of combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 3.5.

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

### 3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

— power over the investee;

— exposure, or rights, to variable returns from the investee; and

— the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 3.4 Associates and Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.4 Associates and Joint arrangements *(Continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

— the structure of the joint arrangement;

— the legal form of joint arrangements structured through a separate vehicle;

— the contractual terms of the joint arrangement agreement; and

— any other facts and circumstances (including any other contractual arrangements).

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Interests in associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint venture are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associates and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealized losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for investment in an associates and a joint ventures above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in associates and joint ventures are stated at cost less impairment losses, if any. Results of the associate and joint venture are accounted for by the Company on the basis of dividends received and receivable.

## 3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures, respectively, rather than recognised as a separate asset on the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.13). On subsequent disposal of a subsidiary, associate or joint ventures, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognised immediately in profit or loss.

## 3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.29(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group revaluates such property on the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. The fair value at the date of the change in use is the deemed cost for subsequent accounting as investment properties. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

## 3.8 Property, plant and equipment

Except for freehold land which is not depreciated, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses (note 3.13). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Land and buildings are stated as revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus recognised in equity. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the assets revaluation reserve.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.8 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost or valuation of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

| Category of property, plant and equipment | Annual rates |
|---|---|
| Freehold land | No depreciated |
| Land and buildings *(note 3.12)* | 2% to 5% |
| Plant, machinery, tools, moulds and equipment | 10% to 20% |
| Furniture, fixtures and office equipment | 10% to 33.33% |
| Motor vehicles (including taxi) | 20% to 25% |

An annual transfer from assets revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss. When land and buildings are derecognised upon disposal, the relevant portion of the revaluation surplus will be directly transferred to retained profits.

### 3.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### 3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.13) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually (note 3.13) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

#### Patent

Separately acquired patent is shown at historical cost. Patent acquired in a business combination is recognised at fair value at the acquisition date. Patent has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent over its estimated useful live of eight years.

### 3.11 Other assets

Other assets represent antiques held for long-term investment purposes and are stated at cost less accumulated impairment losses.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.12 Leases

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

### The Group as lessor

Assets leased by the Group under operating leases are included in non-current asset, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms.

Amounts due from lessees under finance leases are recorded 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.

### The Group as lessee

Rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms. Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to profit or loss on completion of development of such properties.

## 3.13 Impairment of non-financial assets

Goodwill, other intangible assets, other assets, property, plant and equipment, prepaid lease rental on land and interests in subsidiaries, associates and joint ventures are subject to impairment testing. Goodwill, other intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.14 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised and derecognised on trade date. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as “Investments held for trading” in the consolidated statement of financial position and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.29.

### Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.14 Investments and other financial assets *(Continued)*

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.29.

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

When the fair value of unlisted equity securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

### Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

## 3.15 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.15 Impairment of financial assets *(Continued)*

### Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

### Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

### Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

## 3.16 Inventory of properties

Inventory of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

## 3.17 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.18 Foreign currencies

The financial statements is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of reporting period are translated into HK$ at exchange rate prevailing at the end of reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign entity is disposed of.

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

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

## 3.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## 3.20 Income tax

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.20 Income tax *(Continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

### 3.21 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

### 3.22 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.21). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

#### Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.23 Financial guarantee contracts

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.26 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

## 3.24 Employee benefits

### Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### Defined contribution retirement plan

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

## 3.25 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instrument at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.26 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

## 3.27 Equity instruments

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

## 3.28 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 3.29 Recognition of revenue and other income

Revenue and other income are recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognised as revenue when goods are delivered and title has been passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

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

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi rental, licence and management fee income is recognised in accordance with the substance of the licence and management agreement when the taxi licence holders' right to receive payment has been established and the relevant services are delivered. Income received in advance which is attributable to the whole licencing contract arrangement is deferred as deferred income under current liabilities and amortised over the period of the licence contract.

(vi) Handling fee income and service income is recognised on an appropriate basis over the relevant period in which the services are rendered.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## 3.30 Government grants

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

When the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset. The grant is recognised as deferred income which released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

## 3.31 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person:

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

   (ii) has significant influence over the Group; or

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

(b) The party is an entity where any of the following conditions apply:

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

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

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

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

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

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

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

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

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

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

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

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 3.32 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 4.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

### Fair value of investment properties and land and buildings classified as property, plant and equipment

As disclosed in notes 14 and 15, investment properties and land and buildings classified as property, plant and equipment were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to notes 14 and 15 for more detailed information in relation to the fair value measurement of the investment properties and land and buildings.

### Fair value of unlisted equity investments

The fair value of the unlisted equity investments have been estimated by management with reference to valuation carried by independent professional valuer, which is based on Black Scholes Model. The valuation requires the Group to make estimates about and assumptions that are subject to uncertainty. The fair value of the unlisted equity investments as at 31st December, 2014 was HK$150,718,000.

### Impairment of non-financial assets

The Group reviews at least annually and assesses whether goodwill, taxi licences with indefinite useful lives and antiques have suffered any impairment. Other assets including property, plant and equipment, prepaid lease rental on land and intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill, taxi licenses and antiques are set out in notes 17, 18 and 23 respectively.

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

## 4.1 Key sources of estimation uncertainty *(Continued)*

### Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer or debtor. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

### Impairment of available-for-sale financial assets

The Group classifies certain investments as available-for-sale financial assets and recognises movements in their fair values in equity. When the fair value declines, management makes assumption about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. During the year ended 31st December, 2014, impairment losses of HK$37,531,000 have been recognised for available-for-sale financial assets (2013: nil). The carrying amount of available-for-sale financial assets as at 31 December 2014 was HK$227,364,000 (2013: HK$134,283,000).

### Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

### Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management has made significant estimation in determining the recoverable amount.

### Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the People's Republic of China (the "PRC"). The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

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

### 4.2 Critical judgements in applying accounting policies

#### Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

#### Joint arrangements

As at 31st December, 2014 and 2013, the Group held certain percentage of the registered capital/paid up capital and voting right of certain joint arrangements. The contractual arrangements confer joint control over the relevant activities of the joint arrangements to the Group and at least one other party. In addition, the joint arrangements are structured as limited companies and provide the Group and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore, based on the judgement of the management, those arrangements are classified as joint ventures (note 21).

## 5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Sales of goods | **1,025,746** | 1,016,827 |
| Taxi rental, licence and management fee income | **127,819** | 121,740 |
| Property rental income | **113,990** | 42,971 |
| Total revenue | **1,267,555** | 1,181,538 |

## 6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

| | | |
|---|---|---|
| Electrical appliances and electronic components | — | This segment designs, manufactures and trades electrical appliances and electronic components. Electrical appliances include electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser, laser and scanner. Electronic components comprise semiconductors and other electronic components. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in PRC and overseas such as North America and European countries. |
| Property leasing | — | This segment leases industrial, commercial and residential properties in Hong Kong, other region of the PRC, the United States and the United Kingdom to generate rental income and gain from appreciation in the properties' values in long-term. Part of the business is carried out through an associate. |
| Property investment and development | — | This segment constructs commercial and residential properties in Hong Kong for external customers. |
| Securities trading | — | This segment mainly carries out trading of securities and other instruments to generate gain from appreciation in securities and other instruments. |
| Taxi rental | — | This segment carries out taxi rental operation in the PRC and generates rental income. |
| Other segments | — | Operating segments which are not reportable comprise trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business. |

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associate and joint ventures. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amount due to related parties, bank borrowings and other liabilities directly attributable to the business activities of operating segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

## 6. SEGMENT INFORMATION *(Continued)*

### Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including reportable segment revenue, segment profit/(loss), segment assets, segment liabilities, the reconciliations to revenue, profit before income tax, total assets and total liabilities, and other segment information are as follows:

| | **Electrical appliances and electronic components HK$'000 (note)** | **Property leasing HK$'000** | **Property investment and development HK$'000** | **Securities trading HK$'000** | **Taxi rental HK$'000** | **Other segments HK$'000 (note)** | **Consolidated HK$'000** |
|---|---|---|---|---|---|---|---|
| **Year ended 31st December, 2014** | | | | | | | |
| Reportable segment revenue* | 1,022,466 | 113,990 | 2,000 | – | 127,819 | 1,280 | 1,267,555 |
| Reportable segment profit/(loss) | 4,952 | 64,143 | 428 | 230,988 | 35,599 | (60,098) | 276,012 |
| Corporate income | | | | | | | 10,699 |
| Corporate expenses | | | | | | | (77,488) |
| Profit before income tax | | | | | | | 209,223 |
| | | | | | | | **Total HK$'000** |
| **As at 31st December, 2014** | | | | | | | |
| Reportable segment assets | 729,714 | 2,666,577 | 200,318 | 1,020,172 | 331,033 | 29,543 | 4,977,357 |
| Property, plant and equipment | | | | | | | 183,842 |
| Other assets | | | | | | | 49,139 |
| Available-for-sale financial assets | | | | | | | 3,300 |
| Tax assets | | | | | | | 79 |
| Other corporate assets | | | | | | | 298,734 |
| Total consolidated assets | | | | | | | 5,512,451 |
| **As at 31st December, 2014** | | | | | | | |
| Reportable segment liabilities | 245,672 | 184,217 | 5,060 | 6,657 | 24,475 | 10,098 | 476,179 |
| Bank borrowings | | | | | | | 901,712 |
| Tax liabilities | | | | | | | 709,408 |
| Other corporate liabilities | | | | | | | 195,350 |
| Total consolidated liabilities | | | | | | | 2,282,649 |

| | **Electrical appliances and electronic components HK$'000** | **Property leasing HK$'000** | **Property investment and development HK$'000** | **Securities trading HK$'000** | **Taxi rental HK$'000** | **Other segments HK$'000** | **Corporate HK$'000** | **Consolidated HK$'000** |
|---|---|---|---|---|---|---|---|---|
| **Other information:** | | | | | | | | |
| **Year ended 31st December 2014** | | | | | | | | |
| Interest income | 521 | 111 | 26 | – | 601 | 1,981 | 9,741 | 12,981 |
| Finance costs | 1,039 | 21,518 | – | 315 | 2,588 | – | 16,671 | 42,131 |
| Depreciation and amortisation | 14,889 | 105 | – | – | 20,733 | 1,875 | 4,750 | 42,352 |
| Reversal of impairment losses/ (Impairment losses) of financial assets recognised in profit or loss | (9,217) | – | – | (37,531) | 53 | – | – | (46,695) |
| Write-off of loans and receivables | 444 | 57 | – | – | – | – | – | 501 |
| Reversal of allowance for other inventories | 5,690 | – | – | – | – | – | – | 5,690 |
| Fair value gain/(loss) on investment properties | – | 1,257 | – | – | – | – | – | 1,257 |
| Share of loss of an associate | – | 3,024 | – | – | – | – | – | 3,024 |
| Share of profit of joint ventures | – | – | – | – | – | 2,371 | – | 2,371 |
| Additions to specified non-current assets# | 24,415 | 143,355 | – | – | 36,229 | 3,080 | 76,016 | 283,095 |
| Write-off of property, plant and equipment | 179 | – | 1,059 | – | – | – | – | 1,238 |
| **As at 31st December, 2014** | | | | | | | | |
| Interests in an associate | – | 160,156 | – | – | – | – | – | 160,156 |
| Interests in joint ventures | – | – | – | – | – | 7,632 | – | 7,632 |

# 6. SEGMENT INFORMATION *(Continued)*

## Segment results, segment assets and segment liabilities *(Continued)*

| | Electrical appliances and electronic components HK$'000 (note) | Property leasing HK$'000 | Property investment and development HK$'000 | Securities trading HK$'000 | Taxi rental HK$'000 | Other segments HK$'000 (note) | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31st December, 2013** | | | | | | | |
| Reportable segment revenue* | 1,015,782 | 42,971 | — | — | 121,740 | 1,045 | 1,181,538 |
| Reportable segment profit/(loss) | 74,059 | 300,841 | (23) | (57,950) | 39,975 | (4,208) | 352,694 |
| Corporate income | | | | | | | 7,566 |
| Corporate expenses | | | | | | | (92,961) |
| Profit before income tax | | | | | | | 267,299 |
| | | | | | | | Total HK$'000 |
| **As at 31st December, 2013** | | | | | | | |
| Reportable segment assets | 681,310 | 2,488,446 | 196,583 | 683,061 | 390,713 | 160,504 | 4,600,617 |
| Property, plant and equipment | | | | | | | 68,585 |
| Other assets | | | | | | | 46,000 |
| Available-for-sale financial assets | | | | | | | 3,300 |
| Tax assets | | | | | | | 727 |
| Other corporate assets | | | | | | | 461,767 |
| Total consolidated assets | | | | | | | 5,180,996 |
| **As at 31st December, 2013** | | | | | | | |
| Reportable segment liabilities | 268,480 | 194,826 | 102 | 25 | 56,677 | 5,612 | 525,722 |
| Bank borrowings | | | | | | | 1,044,943 |
| Tax liabilities | | | | | | | 658,227 |
| Other corporate liabilities | | | | | | | 55,076 |
| Total consolidated liabilities | | | | | | | 2,283,968 |

| | Electrical appliances and electronic components HK$'000 (note) | Property leasing HK$'000 | Property investment and development HK$'000 | Securities trading HK$'000 | Taxi rental HK$'000 | Other segments HK$'000 (note) | Corporate HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Other information:** | | | | | | | | |
| **Year ended 31st December, 2013** | | | | | | | | |
| Interest income | 424 | 23 | 51 | 906 | 736 | 1,392 | 6,732 | 10,264 |
| Finance costs | 1,891 | 4,078 | — | 752 | 1,411 | — | 17,681 | 25,813 |
| Depreciation and amortisation | 16,674 | — | — | — | 19,854 | 388 | 5,289 | 42,205 |
| Reversal of impairment losses/ (Impairment losses) of financial assets recognised in profit or loss | 12,743 | (269) | — | — | 22 | (11) | — | 12,485 |
| Allowance for other inventories | 11,225 | — | — | — | — | — | — | 11,225 |
| Fair value gain on investment properties | — | 30,479 | — | — | — | — | — | 30,479 |
| Share of profit/(loss) of associates | — | 171,004 | — | — | — | (8,909) | — | 162,095 |
| Share of profit of joint ventures | — | — | — | — | — | 2,222 | — | 2,222 |
| Additions to specified non-current assets# | 15,322 | 1,682,727 | — | — | 26,705 | 722 | 14,365 | 1,739,841 |
| Write-off of property, plant and equipment | — | — | — | — | 10 | — | — | 10 |
| **As at 31st December, 2013** | | | | | | | | |
| Interests in associates | — | 174,571 | — | — | — | — | — | 174,571 |
| Interests in joint ventures | — | — | — | — | — | 9,585 | — | 9,585 |

* *This represents sales revenue derived from external customers and there were no inter-segment sales between different business segments for the years ended 31st December, 2014 and 2013.*

\# *Including additions to the group's investment properties, property, plant and equipment, prepaid lease rental on land, goodwill, other intangible assets and other assets (i.e. "Specified non-current assets") but exclude transfer among investment properties and property, plant and equipment.*

Note: In the past, design, manufacturing and trading of semi-conductors and other electronic components were grouped under "Other segments". During the year, this business has been reported internally to the senior management together with the reportable segment "Electrical appliances and electronic components". Accordingly, certain comparative figures in the segment information for the year ended 31st December, 2013 have been restated to conform to current year's presentation.

## 6. SEGMENT INFORMATION *(Continued)*

### Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, Australia, North America (comprising Canada and the United States) and Europe.

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income, licence fee income and management fee income, is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong | **78,432** | 45,956 |
| Other regions of the PRC | **697,010** | 597,117 |
| Asia, other than the PRC | **149,396** | 87,744 |
| Australia | **60,311** | 76,938 |
| North America | **143,396** | 241,446 |
| Europe | **105,896** | 71,148 |
| Others | **33,114** | 61,189 |
| | **1,267,555** | 1,181,538 |

An analysis of the Group's specified non-current assets by geographical locations, determined based on location of the assets or location of operations in case of goodwill and interests in associates and joint ventures, is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong | **557,946** | 424,529 |
| Other regions of the PRC | **2,625,431** | 2,356,038 |
| Asia, other than the PRC | **70,825** | 57,627 |
| North America | **167,960** | 149,077 |
| United Kingdom | **18,424** | — |
| | **3,440,586** | 2,987,271 |

### Information about major customers

Revenue derived from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **351,675** | 283,905 |
| Customer B | **177,160** | 176,954 |

The revenue derived from the above major customers is reported under the segment "Electrical appliances and electronic components".

## 7. OTHER INCOME

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income on: | | |
| Bank deposits | **10,687** | 6,981 |
| Interest element of finance lease as lessor *(note 25)* | **169** | 93 |
| Others, including loans receivable | **2,125** | 3,190 |
| Total interest income on financial assets not at fair value through profit or loss | **12,981** | 10,264 |
| Dividends from listed equity securities | **16,760** | 15,576 |
| Other rental income | **508** | 281 |
| Handling fee income | **3,220** | 2,296 |
| Recharge of material and freight costs to customers | **8,349** | 7,264 |
| Product engineering service to customers | **2,971** | 323 |
| Sundry income | **9,443** | 13,059 |
| | **54,232** | 49,063 |

## 8. FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest charges on: | | |
| Bank loans and overdrafts | **28,886** | 13,133 |
| Other liabilities | **845** | 2,169 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **29,731** | 15,302 |
| Bank charges and arrangement fee | **10,342** | 10,511 |
| Loss on early settlement of other liabilities *(note 37)* | **2,058** | — |
| | **42,131** | 25,813 |

## 9. PROFIT BEFORE INCOME TAX

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Profit before income tax is arrived at after charging/(crediting): | | |
| Total amortisation and depreciation: | | |
| Amortisation of prepaid lease rental on land | **302** | 302 |
| Amortisation of other intangible assets# | **2,193** | 1,849 |
| Depreciation of property, plant and equipment | **39,857** | 40,054 |
| | **42,352** | 42,205 |
| Auditors' remuneration: | | |
| Current year | **1,618** | 1,622 |
| Under/(Over) provision in prior year | **94** | (5) |
| Cost of sales and services provided comprise: | | |
| Amount of inventories recognised as expense | **829,573** | 837,873 |
| (Reversal of allowance)/Allowance for other inventories | **(5,690)** | 11,225 |
| Directors' remuneration | **24,963** | 23,777 |
| Donations | **3,939** | 17,059 |
| Loss on disposal of property, plant and equipment | **4,509** | 685 |
| Impairment loss/(Reversal of impairment loss) on loans and receivables* | **9,164** | (12,485) |
| Write-off of loans and receivables | **501** | — |
| Net foreign exchange (gain)/loss | **(1,765)** | 545 |
| Outgoings in respect of investment properties | **26,674** | 14,905 |
| Net rental income from property leasing | **(87,316)** | (28,066) |
| Operating lease charge on land and buildings | **7,904** | 4,663 |
| Research and development cost*^ | **4,290** | 604 |
| Staff costs *(note 11)* | **229,355** | 201,813 |
| Write-off of property, plant and equipment | **1,238** | 10 |

# *included in "Administrative expenses" and "Cost of sales and services provided" in the consolidated income statement*

* *included in "Other operating expenses" in the consolidated income statement*

^ *excluding depreciation of property, plant and equipment and staff costs*

## 10. INCOME TAX EXPENSE

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Income tax expenses comprise: | | |
| Current tax for the year | | |
| Hong Kong profits tax | **229** | 332 |
| Other regions of the PRC | **26,146** | 165,571 |
| Others | **1,294** | 6 |
| | **27,669** | 165,909 |
| (Over)/Under provision in prior years | | |
| Hong Kong profits tax | **(73)** | (48) |
| Other regions of the PRC | **(1,283)** | 30 |
| Others | **—** | 7 |
| | **(1,356)** | (11) |
| Deferred tax *(note 40)* | | |
| PRC land appreciation tax ("LAT") | **3,020** | (31,744) |
| Other income tax | **33,849** | (48,944) |
| | **36,869** | (80,688) |
| | **63,182** | 85,210 |

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

Income tax arising from the PRC excluding Hong Kong is calculated at 10% to 25% (2013: 10% to 25%) of the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Overseas tax is calculated at the rates applicable in the respective jurisdictions

The income tax expense can be reconciled to the profit before income tax at applicable tax rates as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Profit before income tax | **209,223** | 267,299 |
| Tax on profit at the rates applicable to profits in the countries concerned | **57,010** | 38,152 |
| Expenses not deductible for tax purpose | **32,609** | 29,553 |
| Income not taxable for tax purpose | **(17,585)** | (24,769) |
| Share of results of associates and joint ventures | **108** | (27,113) |
| Utilisation of tax losses and other temporary differences previously not recognised | **(41,833)** | (715) |
| Tax losses not recognised | **31,231** | 15,934 |
| Over provision in prior years | **(1,356)** | (11) |
| PRC LAT | **3,020** | 54,179 |
| Others | **(22)** | — |
| Income tax expense | **63,182** | 85,210 |

## 11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **223,659** | 196,941 |
| Retirement fund contributions *(note 47)* | **4,268** | 3,878 |
| Termination benefits | **1,428** | 994 |
| | **229,355** | 201,813 |

## 12. DIVIDENDS

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Proposed final dividend — HK$0.005 (2013: HK$0.005) per ordinary share | **2,617** | 2,617 |

The final dividend of HK$0.005 (2013: HK$0.005) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Dividend in respect of previous financial year recognised as distributions during the year ended 31st December, 2014 amounted to HK$2,617,000 (2013: HK$2,617,000) or HK$0.005 (2013: HK$0.005) per ordinary share.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$145,973,000 (2013: HK$183,396,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2013: 523,485,000).

No diluted earnings per share is presented for the years ended 31st December, 2014 and 2013 as the Group had no potential dilutive ordinary shares in issue during the year or in prior year.

## 14. INVESTMENT PROPERTIES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2014 HK$'000 | 2013 HK$'000 | 2014 HK$'000 | 2013 HK$'000 |
| Carrying amount at 1st January | **2,225,443** | 875,776 | **68,900** | 62,100 |
| Translation adjustment | **(243)** | 11,639 | **—** | — |
| Additions | **142,922** | 3 | **—** | — |
| Disposals *(note (c))* | **—** | (375,178) | **—** | — |
| Acquisition of a subsidiary *(note 44)* | **—** | 1,682,724 | **—** | — |
| Transfer from property, plant and equipment *(note (a))* | **36,190** | — | **—** | — |
| Transfer to property, plant and equipment and prepaid lease rental on land *(note (b))* | **(11,893)** | — | **—** | — |
| Increase in fair value* | **1,257** | 30,479 | **10,300** | 6,800 |
| Carrying amount at 31st December | **2,393,676** | 2,225,443 | **79,200** | 68,900 |

* *disclosed as "Fair value gain on investment properties" in the consolidated income statement.*

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2014 HK$'000 | 2013 HK$'000 | 2014 HK$'000 | 2013 HK$'000 |
| In Hong Kong, held under long leases | **402,100** | 369,900 | **79,200** | 68,900 |
| In the United Kingdom ("UK"), held under long lease | **18,116** | — | **—** | — |
| In other regions of the PRC, held under medium-term leases | **1,838,879** | 1,729,529 | **—** | — |
| In the United States, freehold | **134,581** | 126,014 | **—** | — |
| Carrying amount at 31st December | **2,393,676** | 2,225,443 | **79,200** | 68,900 |

## 14. INVESTMENT PROPERTIES *(Continued)*

*Notes:*

(a) *During the year ended 31st December, 2014, the Group leased out a formerly self-occupied residential unit located in the PRC and reclassified such unit as an investment property. The property was previously occupied by the Group as staff quarter which was previously classified as land and buildings under property, plant and equipment. The carrying value of the unit on the date of reclassification amounted to HK$4,170,000 (note 15) and the Group recognised a fair value gain of HK$32,020,000 and the resulting tax effect of HK$543,000 on the date of reclassification. The fair value gain net of tax amounting to approximately HK$31,477,000 was recognised in asset revaluation reserve in equity.*

(b) *During the year ended 31st December, 2014, the Group occupied two commercial units for administrative purposes and accounted for those units as owner-occupied properties. These commercial units were previously held for leasing in return for rental income and were classified as investment properties. The carrying value of these commercial units on the date of reclassification was HK$11,893,000 of which HK$3,169,000 is attributable to the building portion which has been reclassified as building under property, plant and equipment (note 15) and HK$8,724,000 is attributable to the land portion which has been reclassified as prepaid lease rental on land (note 16).*

(c) *On 24th May, 2013, a subsidiary of the Company entered into a conditional sales and purchase agreement (the "S&P") with an independent third party to dispose of (the "Disposal") an investment property located in the PRC (the "Disposal Property"). On the same date, another subsidiary of the Company entered into a conditional service agreement with another independent third party for providing services, comprising investment planning and feasibility analysis, for the property project to be developed on the land of the Disposal Property. The service agreement is conditional on the completion of the S&P. The Disposal was completed in December 2013. The gain arising from the Disposal which represents the difference between the net disposal proceeds and the carrying amount of the Disposal Property amounted to HK$106,207,000 .*

(d) *The Group's and the Company's investment properties are measured at fair value on a recurring basis. The fair values of the investment properties as at 31st December, 2014 and 2013 are assessed by the directors of the Company with reference to valuation carried out at those dates conducted by independent professional valuers. Valuation of investment properties which are situated in Hong Kong, other regions of the PRC and the United Kingdom were carried out by Knight Frank Petty Limited and Knight Frank LLP respectively. Valuation of investment properties situated in the United States were carried out by Cushman & Wakefield Western, Inc. Knight Frank Petty Limited, Knight Frank LLP and Cushman & Wakefield Western, Inc. are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.*

(e) *The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. All of the fair values of the investment properties as at 31st December, 2014 and 2013 is a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the year ended 31st December, 2014 and 2013, there were no transfers between level 1 and level 2, or transfers into or out of level 3.*

*Below is a summary of the revaluation techniques and key inputs to the valuation:*

| ***Properties*** | ***Location*** | ***Valuation technique*** | ***Unobservable inputs*** | ***Range of unobservable inputs*** | ***Relationship of unobservable inputs to fair value*** |
|---|---|---|---|---|---|
| *Industrial premises* | *Hong Kong* | *2014: Direct Comparison Approach* | *Unit price per square foot ("sq. ft.")* | *HK$3,300 per sq. ft.* | *The higher the unit price, the higher the fair value* |
| | | *2013: Residual Approach* | *Average unit price per sq. ft.* | *HK$5,530 per sq. ft.* | *The higher the average unit price, the higher the fair value* |
| | | | *Average construction cost per sq. ft.* | *HK$1,650 per sq. ft.* | *The higher the average construction cost, the lower the fair value* |
| | | | *Developer's profit margin* | *15%* | *The higher the developer's profit margin, the lower the fair value* |
| *Industrial premises* | *Hong Kong* | *Income Capitalisation Approach* | *Monthly rent per sq. ft.* | *HK$30 (2013: HK$28) per sq. ft.* | *The higher the market rent, the higher the fair value* |
| | | | *Capitalisation rate* | *3.8% (2013: 4%)* | *The higher the capitalisation rate, the lower the fair value* |
| *Commercial complex* | *PRC* | *Income Capitalisation Approach* | *Daily rent per square metre ("sq. m.")* | *Renminbi ("RMB") 5.7 (2013: RMB5.7 to RMB6.0) per sq. m.* | *The higher the market rent, the higher the fair value* |
| | | | *Capitalisation rate* | *6%* | *The higher the capitalisation rate, the lower the fair value* |

## 14. INVESTMENT PROPERTIES *(Continued)*

*Note: (Continued)*

*(f) Details about the valuation inputs are as follows: (Continued)*

| ***Properties*** | ***Location*** | ***Valuation technique*** | ***Unobservable inputs*** | ***Range of unobservable inputs*** | ***Relationship of unobservable inputs to fair value*** |
|---|---|---|---|---|---|
| *Buildings on industrial site* | *PRC* | *Income Capitalisation Approach* | *Monthly rent per sq. m.* | *RMB10 (2013: RMB10.5) per sq. m.* | *The higher the market rent, the higher the fair value* |
| | | | *Capitalisation rate* | *9.5%* | *The higher the capitalisation rate, the lower the fair value* |
| *A parcel of land* | *PRC* | *2014: Direct Comparison Approach* | *Unit rate per sq. m.* | *RMB670 per sq. m.* | *The higher the unit rate, the higher the valuation* |
| | | *2013: Sale Comparison Approach* | *Discount on quality of property* | *9% to 17%* | *The higher the discount rate, the lower the fair value* |
| *Residential premise* | *PRC* | *Income Capitalisation Approach* | *Monthly rent per sq. m.* | *RMB100 per sq. m.* | *The higher the market rent, the higher the fair value* |
| | | | *Capitalisation rate* | *2%* | *The higher the capitalisation rate, the lower the fair value* |
| *Industrial complex* | *PRC* | *Direct Comparison Approach* | *Unit rate per sq. m.* | *RMB7,400 per sq. m.* | *The higher the unit rate, the higher the valuation* |
| *Residential premise* | *UK* | *Sales Comparison Approach* | *Premium on quality of property* | *5% to 17%* | *The higher the premium, the higher the fair value* |
| *Commercial complex* | *USA* | *Sales Comparison Approach* | *Discount on quality of property* | *37% to 47%* | *The higher the discount rate, the lower the fair value* |
| | | *Income Capitalisation Approach — Discounted cash flow method* | *Monthly rent per sq. ft.* | *United States Dollars ("US$") 0.70 to US$1.0 per sq. ft.* | *The higher the market rent, the higher the fair value* |
| | | | *Terminal capitalisation rate* | *7.5% to 8.0%* | *The higher the terminal capitalisation rate, the lower the fair value* |
| | | | *Internal rate of return* | *9.5%* | *The higher the internal rate of return, the lower the fair value* |

*The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use except for the industrial premises located in Hong Kong. Among the industrial premises located in Hong Kong is an industrial building partly occupied by the Group as head office for management and administrative purposes and are partly leased out to third party tenants to generated rental income. The self-occupied portion is classified as property, plant and equipment (note 15) and the leased out portion is classified and accounted for as investment properties. In respect of the valuation of this industrial building as at 31st December, 2013, the usage of this property assumed in the valuation was different from its existing use as management was in the view that the industrial building would attain its highest and best use upon redevelopment. During the year ended 31st December, 2014, management reassessed the redevelopment plan and the potential return taking into the latest market condition and government regulations on redevelopment, and concluded that the existing use of the industrial building would be its highest and best use.*

*Under Residual Approach, the assessed site value of the property is the net or residual value that remains on the property from the sales proceeds of the completed proposed development after deducting all the costs of the development, namely the cost of construction, cost of finance, professional fees, marketing costs and an allowance of the profit required for the development which is assumed to have been completed on the site as at the date of valuation.*

*Under Sales Comparison Approach or Direct Comparison Approach, the fair value is assessed by reference to market comparable transactions available in the relevant market.*

*Under Income Capitalisation Approach, the fair value is assessed on the basis of capitalisation of net income.*

*Under Income Capitalisation Approach — Discounted cash flow method, the fair value is assessed by discounting cash flow series associated with the properties using risk-adjusted discounted rates.*

## 14. INVESTMENT PROPERTIES *(Continued)*

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 49.

In securing the bank borrowings as at 31st December, 2014, the Group and the Company have undertaken, under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$402,100,000 (2013: HK$369,900,000) and HK$70,800,000 (2013: HK$61,600,000) respectively as at 31st December, 2014.

Certain investment properties of the Group are pledged as further detailed in note 48.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | THE GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Land and buildings HK$'000 | Plant and machinery HK$'000 | Tools and moulds HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
| **COST** | | | | | | |
| At 1st January, 2013 | 193,007 | 85,089 | 74,425 | 55,308 | 112,439 | 520,268 |
| Translation adjustment | 3,147 | 3,186 | (202) | 620 | 3,310 | 10,061 |
| Additions | — | 13,122 | 1,228 | 2,158 | 28,607 | 45,115 |
| Disposals | — | (80) | — | (199) | (13,999) | (14,278) |
| Write-off | — | — | — | (39) | — | (39) |
| At 31st December, 2013 and 1st January, 2014 | 196,154 | 101,317 | 75,451 | 57,848 | 130,357 | 561,127 |
| Translation adjustment | (361) | (928) | 1,194 | 375 | (399) | (119) |
| Additions | — | 23,317 | 448 | 6,671 | 38,806 | 69,242 |
| Disposals | — | (18,616) | — | (3,844) | (43,221) | (65,681) |
| Write-off | — | (571) | — | (2,656) | — | (3,227) |
| Transfer from investment properties *(note 14(b))* | 3,169 | — | — | — | — | 3,169 |
| Transfer to investment properties *(note14(a))* | (4,905) | — | — | — | — | (4,905) |
| Adoption of revaluation model *(note (a))* | 155,455 | — | — | — | — | 155,455 |
| **At 31st December, 2014** | **349,512** | **104,519** | **77,093** | **58,394** | **125,543** | **715,061** |
| **DEPRECIATION** | | | | | | |
| At 1st January, 2013 | 48,045 | 31,431 | 68,994 | 44,021 | 59,264 | 251,755 |
| Translation adjustment | 1,142 | 1,463 | (49) | 486 | 1,997 | 5,039 |
| Depreciation provided | 5,011 | 10,068 | 1,327 | 1,872 | 21,776 | 40,054 |
| Disposals | — | (72) | — | (175) | (12,599) | (12,846) |
| Write-off | — | — | — | (29) | — | (29) |
| At 31st December, 2013 and 1st January, 2014 | 54,198 | 42,890 | 70,272 | 46,175 | 70,438 | 283,973 |
| Translation adjustment | (120) | (474) | 1,344 | 316 | (125) | 941 |
| Depreciation provided | 5,004 | 9,587 | 1,453 | 1,967 | 21,846 | 39,857 |
| Disposals | — | (15,057) | — | (3,406) | (38,681) | (57,144) |
| Write-off | — | (571) | — | (1,418) | — | (1,989) |
| Transfer to investment properties *(note14(a))* | (735) | — | — | — | — | (735) |
| Adoption of revaluation model *(note (a))* | (58,347) | — | — | — | — | (58,347) |
| **At 31st December, 2014** | **—** | **36,375** | **73,069** | **43,634** | **53,478** | **206,556** |
| **NET CARRYING AMOUNT** | | | | | | |
| **At 31st December, 2014** | **349,512** | **68,144** | **4,024** | **14,760** | **72,065** | **508,505** |
| At 31st December, 2013 | 141,956 | 58,427 | 5,179 | 11,673 | 59,919 | 277,154 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | THE COMPANY | | |
|---|---|---|---|
| | **Furniture, fixtures and office equipment HK$'000** | **Motor vehicles HK$'000** | **Total HK$'000** |
| **COST** | | | |
| At 1st January, 2013 | 3,633 | 5,989 | 9,622 |
| Additions | 136 | 4,611 | 4,747 |
| Disposals | (10) | — | (10) |
| At 31st December, 2013 and 1st January, 2014 | 3,759 | 10,600 | 14,359 |
| Additions | 1,028 | 2,521 | 3,549 |
| **At 31st December, 2014** | **4,787** | **13,121** | **17,908** |
| **DEPRECIATION** | | | |
| At 1st January, 2013 | 1,478 | 4,085 | 5,563 |
| Depreciation provided | 499 | 2,551 | 3,050 |
| Disposals | (5) | — | (5) |
| At 31st December, 2013 and 1st January, 2014 | 1,972 | 6,636 | 8,608 |
| Depreciation provided | 516 | 2,104 | 2,620 |
| **At 31st December, 2014** | **2,488** | **8,740** | **11,228** |
| **NET CARRYING AMOUNT** | | | |
| **At 31st December, 2014** | **2,299** | **4,381** | **6,680** |
| At 31st December, 2013 | 1,787 | 3,964 | 5,751 |

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group are analysed as follows:

| | THE GROUP | |
|---|---|---|
| | **2014 HK$'000** | 2013 HK$'000 |
| In Hong Kong, held under long leases | **99,900** | 2,879 |
| In other regions of the PRC, held under | | |
| — medium-term leases | **178,323** | 79,054 |
| — long leases | **—** | 4,215 |
| In the United States, freehold | **31,027** | 22,008 |
| In Asia (other than the PRC), held under medium-term leases | **58,563** | 43,713 |
| | **367,813** | 151,869 |
| Land and buildings included in property, plant and equipment | **349,512** | 141,956 |
| Prepaid lease rental on land *(note 16)* | **18,301** | 9,913 |
| | **367,813** | 151,869 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

*Notes:*

*(a) As mentioned in note 2(c), land and buildings classified as property, plant and equipment are measured at valuation with effect from 31 st December 2014. On the date of change, the Group recorded the increase in the fair value of land and building of HK$213,802,000 and the resulting income tax effect of HK$27,125,000 in assets revaluation reserve in equity.*

*Details about the valuation inputs for land and buildings are as follows:*

| Properties | Location | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Industrial premises | Hong Kong | Direct Comparison Approach | Unit price per sq. ft. | HK$3,300 per sq. ft. | The higher the unit rate, the higher the fair value |
| Industrial premises | Hong Kong | Direct Comparison Approach | Unit price per sq. ft | HK$2,000 per sq. ft. | The higher the unit rate, the higher the fair value |
| Industrial premises | PRC | Direct Comparison Approach | Unit rate per sq. m. | RMB2,300 per sq. m. | The higher the unit rate, the higher the fair value |
| Residential premises | PRC | Direct Comparison Approach | Unit rate per sq. m. | RMB2,700 per sq. m. | The higher the unit rate, The higher the fair value |
| Commercial complex | PRC | Income Capitalisation Approach | Daily rent per sq. m. | RMB5.7 per sq. m. | The higher the market rent, the higher the fair value |
| | | | Capitalisation rate | 6% | The higher the capitalisation rate, the lower the fair value |
| Residential premises | Thailand | Direct Comparison Approach | Discount/Premium on quality of property | –6% to 1% | The higher the discount/ premium, the lower/higher the fair value |
| Commercial premises and warehouse | USA | Contract price in sales and purchase agreement | N/A | N/A | N/A |

*The fair value measurement as at 31st December, 2014 is based on the highest and best use of the properties, which does not differ from their actual use.*

*Under Sales Comparison Approach or Direct Comparison Approach, the fair value is assessed by reference to market comparable transactions available in the relevant market.*

*Under Income Capitalisation Approach, the fair value is assessed on the basis of capitalisation of net income.*

*Had the revalued properties been measured on cost model, their net carrying amount would have been HK$135,710,000.*

*(b) The Group's land and buildings which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2014 by Knight Frank Petty Limited whereas the land and buildings situated in Thailand were revalued as at 31st December, 2014 by Knight Frank Chartered (Thailand) Company Limited. Both Knight Frank Petty Limited and Knight Frank Chartered (Thailand) Company Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations. The fair values of the commercial premises and warehouse which are situated in the United States are determined by the directors of the Company with reference to the contract price in a sales and purchase agreement entered into by the Group with the buyer to dispose of the relevant properties.*

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

*Notes: (Continued)*

*(c) The fair value measurement of the Group's land and buildings have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The fair value measurement of the Group's land and buildings situated in the United States as at 31st December, 2014 is a level 1 fair value measurement, which is based on actual transaction price. The fair values of other land and buildings as at 31st December, 2014 is a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year.*

In securing the bank borrowings 31st December, 2014, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$256,449,000 (2013: HK$71,911,000) as at 31st December, 2014.

Certain property, plant and equipment of the Group are pledged as further details in note 48.

## 16. PREPAID LEASE RENTAL ON LAND

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1st January | **9,913** | 9,907 |
| Translation adjustment | **(34)** | 308 |
| Amortisation charged | **(302)** | (302) |
| Transfer from investment properties *(note 14(b))* | **8,724** | — |
| Carrying amount at 31st December | **18,301** | 9,913 |
| Analysed into: | | |
| Non-current portion included in non-current assets | **17,704** | 9,609 |
| Current portion included in current assets | **597** | 304 |
| | **18,301** | 9,913 |

Certain prepaid lease rental on land are pledged as further details in note 48.

## 17. GOODWILL

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1st January and 31st December | **4,393** | 4,393 |

The amount of goodwill as at the end of each reporting period is allocated to the cash-generating unit of design and trading of semiconductors and electric components within the segment of "Electrical appliances and electronic components" (2013: "Other segments") and is tested for impairment, together with patent (note 18) by the management by estimating the recoverable amount of this cash-generating unit based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is 4 (2013: 5) years up to year 2018. Based on the results of the impairment testing, management determines that there is no impairment in respect of this cash-generating unit.

Key assumptions used by the management in the value-in-use calculations of this cash-generating unit include gross profit margin of 10%–25% (2013: 21%–30%) and growth rate of 10%–20% for the first two forecast years and 10% or less thereafter (2013: 15%–25% for the first two forecast years and 5% or less thereafter). These assumptions have been determined based on past performance and management's expectations in respect of the market development in Taiwan. The pre-tax discount rate used which reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged and has been applied to the cash flow projections is 28% (2013: 28%).

Apart from the considerations described above in determining the value-in-use of the cash-generating unit within the design and trading of semiconductors and electric components business, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## 18. OTHER INTANGIBLE ASSETS

| | THE GROUP | | |
|---|---|---|---|
| | Taxi licences HK$'000 | Patent HK$'000 | Total HK$'000 |
| **COST** | | | |
| At 1st January, 2013 | 272,434 | 9,649 | 282,083 |
| Translation adjustment | 8,527 | (56) | 8,471 |
| Additions | 2,609 | — | 2,609 |
| At 31st December, 2013 and 1st January, 2014 | 283,570 | 9,593 | 293,163 |
| Translation adjustment | (959) | 3 | (956) |
| **At 31st December, 2014** | **282,611** | **9,596** | **292,207** |
| **AMORTISATION AND IMPAIRMENT** | | | |
| At 1st January, 2013 | 49,741 | 2,814 | 52,555 |
| Translation adjustment | 1,566 | (23) | 1,543 |
| Amortisation charged | 643 | 1,206 | 1,849 |
| At 31st December, 2013 and 1st January, 2014 | 51,950 | 3,997 | 55,947 |
| Translation adjustment | (171) | 1 | (170) |
| Amortisation charged | 993 | 1,200 | 2,193 |
| **At 31st December, 2014** | **52,772** | **5,198** | **57,970** |
| **NET CARRYING AMOUNT** | | | |
| **At 31st December, 2014** | **229,839** | **4,398** | **234,237** |
| At 31st December, 2013 | 231,620 | 5,596 | 237,216 |

### Taxi Licences

During the year ended 31st December, 2012, the PRC government granted to the Group 20 taxi licences for free (the "Free Taxi Licences"), which entitle the licence holders to operate the taxi vehicles during a fixed period of time in a day for a five-year period up to 1st March, 2017. During the year ended 31st December, 2013, the PRC government granted another 15 Free Taxi Licences to the Group which entitle the licence holders to operate the taxi vehicles during the specified time period in a day for a five-year period up to 1st August, 2018. The useful life of these Free Taxi Licences is therefore 5 years.

The Group recognised these Free Taxi Licences as intangible assets with a corresponding amount recognised as deferred government grants in accordance with the accounting policies set out in note 3.30. The fair value of the Free Taxi Licences was determined based on value-in-use calculations.

In the opinion of the directors, the taxi licences except for the Free Taxi Licences ("Other Taxi Licences"), have indefinite useful life as there is no foreseeable limit on the period of time on which Other Taxi Licences are expected to provide cash flows.

Other Taxi Licences as at 31st December, 2014 are tested for impairment by the management by estimating its recoverable amount based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The financial budgets prepared for the year ended 31st December, 2014 are up to year 2033 as the application for extending the business period of the subsidiary engaging in taxi rental operation by 22 years to year 2033 has been approved by the PRC government on 27th September, 2011.

Other key assumptions used by management in the value-in-use calculations of Other Taxi Licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) taxi rental income is determined based on the fee income to be received pursuant to the existing rental agreements, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 12.6% (2013: 12.6%) which reflects specific risks relating to the taxi rental operation in the PRC. Based on the result of the impairment testing, management determines that there is no impairment in respect of the taxi licences.

### Patent

Patent related to the cash-generating unit of design and trading of semiconductors and electric components and is combined with the goodwill and other assets of this cash-generating unit in assessing for impairment (note 17).

## 19. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **88,334** | 100,387 |
| Less: Impairment | **(79,144)** | (91,197) |
| | **9,190** | 9,190 |

During the year ended 31st December, 2014, the directors of the Company assessed the recoverable amount of the Company's interests in subsidiaries and base on the impairment assessment, no additional impairment loss (2013: additional impairment loss of HK$769,000) was recognised in the year in respect of these investments.

Details of the Company's principal subsidiaries as at 31st December, 2014 are set out in note 56. Certain of the Company's interests in subsidiaries are pledged as further detailed in note 48.

## 20. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **160,156** | 174,571 |

During the year ended 31st December, 2013, the Group entered into the following transactions in relation to its associates:

(a) acquired the remaining 60% of the equity interest in China Dynasty Development Limited ("China Dynasty"), an associate of the Group. Through the acquisition, the Group's equity interest in China Dynasty has increased from 40% to 100% and China Dynasty becomes a wholly-owned subsidiary of the Group. Details of the acquisition and the financial information of China Dynasty are set out in note 44.

(b) acquired additional 47.47% equity interest in MDCL-Frontline (China) Limited ("MDCL"), an associate of the Group, in April 2013. Through the acquisition, the Group's equity interest in MDCL has increased from 26.66% to 74.13%. The Group subsequently disposed of its entire 74.13% equity interest in MDCL in August 2013. Details of acquisition and disposal of the equity interest in MDCL and the financial information of MDCL are set out in note 45.

Details of the Group's associates as at 31st December, 2014 are set out in note 57.

The following illustrates the summarised financial information in relation to the Group's associates as at 31st December, 2014 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Year ended 31st December** | | |
| Revenue | **98,476** | 101,172 |
| (Loss)/Profit for the year | **(15,119)** | 96,474 |
| Other comprehensive income | **(2,363)** | 21,225 |
| Total comprehensive income | **(17,482)** | 117,699 |
| Dividend received from associates | **10,370** | 17,566 |
| **As at 31st December** | | |
| Current assets | **6,296** | 66,634 |
| Non-current assets | **1,490,328** | 1,496,537 |
| Current liabilities | **(140,600)** | (137,545) |
| Non-current liabilities | **(555,242)** | (552,769) |
| Net assets | **800,782** | 872,857 |
| Carrying amount of the Group's interest in the net assets of the associates | **160,156** | 174,571 |

## 21. INTERESTS IN JOINT VENTURES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **7,242** | 9,195 |
| Goodwill on acquisition | **390** | 390 |
| | **7,632** | 9,585 |

The contractual arrangement in relation to the Group's joint arrangements provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with the joint arrangements. Pursuant to HKFRS 11, these joint arrangements are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method.

Details of the Group's principal joint ventures as at 31st December, 2014 are set out in note 58.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Year ended 31st December** | | |
| Share of joint ventures' profit for the year | **2,371** | 2,222 |
| Share of joint ventures' other comprehensive income for the year | **(127)** | 207 |
| Share of joint ventures' total comprehensive income for the year | **2,244** | 2,429 |

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **As at 31st December** | | |
| Aggregate carrying amount of the Group's interests in joint ventures | **7,242** | 9,195 |

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Unlisted investments: | | | | |
| Club debentures *(note)* | **3,300** | 3,300 | **3,300** | 3,300 |
| Equity securities, listed in Hong Kong, at fair value | **63,967** | 119,978 | **—** | — |
| Equity securities, unlisted in the PRC, at fair value | **150,718** | — | **—** | — |
| Unlisted investment funds, at fair value | **9,379** | 11,005 | **—** | — |
| | **227,364** | 134,283 | **3,300** | 3,300 |

*Note: Club debentures are stated at cost less impairment.*

The Group does not intend to dispose of these investments in the near future.

During the year, there was a significant decline in the market value of certain equity instruments. The directors consider that such a decline indicates that the listed equity instruments have been impaired and an impairment loss of HK$37,531,000, which was reclassified from other comprehensive income, has been recognised in the consolidated income statement for the year.

## 23. OTHER ASSETS

Other assets represent antiques held by the Company and the Group for long-term investment purposes. Antiques are reviewed for impairment by the management with reference to the valuation report issued by an independent professional valuer. In the opinion of the directors, the antiques worth at least their carrying value at the end of the reporting period.

## 24. LOANS RECEIVABLE

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Loans receivable from: | | | | |
| Investees *(note (a))* | **19,205** | 20,015 | **—** | — |
| Associate *(note (b))* | **48,035** | 47,486 | **—** | — |
| Others *(note (c))* | **42,813** | 31,566 | **23,176** | 17,109 |
| | **110,053** | 99,067 | **23,176** | 17,109 |
| Less: Impairment *(notes (a) and (c))* | **(56,732)** | (51,261) | **(23,070)** | (16,789) |
| | **53,321** | 47,806 | **106** | 320 |
| Analysed into: | | | | |
| Amount repayable in more than one year included in non-current assets | **48,035** | 47,486 | **—** | — |
| Amount repayable within one year included in current assets | **5,286** | 320 | **106** | 320 |
| | **53,321** | 47,806 | **106** | 320 |

*Notes:*

(a) *The loans to investees are unsecured, interest-bearing at 3%–5% (2013: 3%–5%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that the entire loans (2013: the entire loans) cannot be recovered and accordingly, accumulated impairment provision of HK$19,205,000 (2013: HK$20,015,000) had been made in respect of these loan balances.*

(b) *The loan to an associate is unsecured and interest-free. The amortised cost of the loan at the end of the reporting period is calculated at the present value of the expected settlement from the associate in accordance with the business plan of the respective associate, discounted at the rate of return of similar financial assets. The loan is expected not to be repayable within twelve months from the end of the reporting period and accordingly, it is classified as non-current assets. Having considered the financial position of the associate, and its repayment history, the management assessed that there is no indication of impairment in respect of this loan.*

(c) *Balance as at 31st December, 2014 included an amount of HK$105,000 (2013: HK$320,000), which is unsecured, interest-free and repayable on demand. The remaining balances of HK$42,708,000 (2013: HK$31,246,000) are unsecured, interest-bearing at 5%–18% (2013: 5%–8.5%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, accumulated impairment provision of HK$37,527,000 (2013: HK$31,246,000) had been made in respect of the balances.*

## 25. FINANCE LEASE RECEIVABLES

In 2012, the Group entered into agreements with a customer for replacing the light tubes of the properties managed by the customer by the LED light tubes produced by the Group. In return, the Group is entitled to monthly income for a period of five years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes which have estimated useful life of three years. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customer over the lease period, computed at a market rate of interest. Finance income arising from the finance leases is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

## 25. FINANCE LEASE RECEIVABLES *(Continued)*

The analysis of the finance lease receivables is as follows:

| | THE GROUP | | | |
|---|---|---|---|---|
| | Total minimum lease payments receivable | | Present value of minimum lease payments receivable | |
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amounts receivable | | | | |
| Within one year | **230** | 1,572 | **198** | 1,403 |
| In the second year | **—** | 231 | **—** | 199 |
| | **230** | 1,803 | **198** | 1,602 |
| Future finance income | **(32)** | (201) | **—** | — |
| Finance lease receivables | **198** | 1,602 | **198** | 1,602 |
| Analysed into: | | | | |
| Amounts receivable in more than one year included in non-current assets | | | **—** | 199 |
| Amounts receivable within one year included in current assets | | | **198** | 1,403 |
| | | | **198** | 1,602 |

## 26. INVENTORIES OF PROPERTIES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Properties under development | **198,289** | 196,001 |

As at the end of the reporting period, properties under development amounting to HK$181,028,000 (2013: HK$196,001,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development are located in Hong Kong. As at the end of the reporting period, leasehold interests in land included in inventories of properties which are held under medium-term leases amounted to HK$177,818,000 (2013: HK$179,181,000).

## 27. OTHER INVENTORIES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Raw materials | **58,714** | 95,304 |
| Work-in-progress | **22,591** | 15,934 |
| Finished goods | **59,109** | 87,527 |
| | **140,414** | 198,765 |

## 28. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade and bills receivables *(note (a))* | **250,022** | 212,401 | **—** | — |
| Less: Impairment on receivables *(note (b))* | **(6,311)** | (5,716) | **—** | — |
| Trade and bills receivables, net | **243,711** | 206,685 | **—** | — |
| Other receivables | **10,868** | 4,391 | **329** | 124 |
| Prepayments and deposits | **109,617** | 49,381 | **66,393** | 1,873 |
| | **364,196** | 260,457 | **66,722** | 1,997 |
| Trade and other receivables, prepayments and deposits | | | | |
| Non-current assets *(note (d))* | **63,380** | — | **63,380** | — |
| Current assets | **300,816** | 260,457 | **3,342** | 1,997 |
| | **364,196** | 260,457 | **66,722** | 1,997 |

*Notes:*

(a) *The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rental receivable from tenants is payable on presentation of invoices. For taxi rental, licence and management fee income, taxi drivers are generally required to pay monthly rental in the 1st or 15th of that month.*

*In general, trade and bills receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.*

(b) *The movement in the allowance for impairment of receivables is as follows:*

| | THE GROUP | |
|---|---|---|
| | ***2014*** | *2013* |
| | ***HK$'000*** | *HK$'000* |
| *Carrying amount at 1st January* | ***5,716*** | *4,951* |
| *Translation adjustment* | ***(6)*** | *56* |
| *Impairment losses recognized* | ***1,636*** | *721* |
| *Impairment losses reversed* | ***(23)*** | *—* |
| *Amounts written off as uncollectible* | ***(1,012)*** | *(12)* |
| *Carrying amount at 31st December* | ***6,311*** | *5,716* |

*At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2014, the Group's trade receivables of HK$6,311,000 (2013: HK$5,716,000) were impaired and accordingly, full allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group does not hold any collateral over these balances.*

(c) *The ageing analysis of trade and bills receivables which were impaired and for which allowances were made for at the end of the reporting period is as follows:*

| | THE GROUP | |
|---|---|---|
| | ***2014*** | *2013* |
| | ***HK$'000*** | *HK$'000* |
| *30 days or below* | **—** | *22* |
| *31–60 days* | **—** | *19* |
| *61–90 days* | **—** | *20* |
| *91–180 days* | **—** | *85* |
| *181–360 days* | **—** | *149* |
| *Over 360 days* | ***6,311*** | *5,421* |
| | ***6,311*** | *5,716* |

## 28. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

*Notes: (Continued)*

*(c) (Continued)*

*The ageing analysis of trade and bills receivables that are past due but are not considered impaired based on due date at the end of the reporting period is as follows:*

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| 61–90 days | **4,415** | 450 |
| 91–180 days | **5,618** | 1,411 |
| 181–360 days | **979** | 1,231 |
| Over 360 days | **306** | 1,132 |
| | **11,318** | 4,224 |

*As at 31st December, 2014, trade and bills receivables of HK$232,393,000 (2013: HK$202,461,000) are neither past due nor impaired. These balances relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.*

*The Group does not hold any collateral over these balances other than rental and building management deposits from tenants of the Group's investment properties.*

*(d) Deposit as at 31st December, 2014 classified as an non-current asset amounting to RMB50,000,000 (equivalent to HK$63,380,000) represented a deposit paid for acquisition of land parcels in Shunde, the PRC through acquisition of equity interest in an entity to be established in the PRC for holding the interest in those land parcels.*

*At the end of the reporting period, the procedures for establishing the PRC entity and transferring the land titles were still in progress and accordingly, the amount paid was classified as "Deposit paid" under non-current assets in the statements of financial position.*

## 29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$904,245,000 (2013: HK$307,045,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. The balances due to the subsidiaries as at 31st December, 2014 were interest-free. The balances due to the subsidiaries as at 31st December, 2013 were interest-free except for an amount of HK$1,471,000 which was interest-bearing at prevailing market rate.

## 30. AMOUNT(S) DUE FROM AN ASSOCIATE/JOINT VENTURES/INVESTEES/NON-CONTROLLING INTEREST

The balances due are unsecured, interest-free and repayable on demand.

Having considered the financial position of the counterparties, management assessed that a portion of the amounts due from investees cannot be recovered and accordingly, accumulated impairment provision of HK$15,458,000 (2013: HK$14,276,000) had been made in respect of the balances.

## 31. INVESTMENTS HELD FOR TRADING

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Equity securities, at fair value | | |
| Listed in Hong Kong | **130,366** | 130,287 |
| Listed outside Hong Kong | **662,692** | 419,337 |
| | **793,058** | 549,624 |

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 48.

## 32. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSIT

### (a) Cash and bank balances

Cash and bank balances include the following:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at banks, in hand and deposited with financial institutions and security brokers | **166,636** | 217,538 | **18,459** | 42,899 |
| Short-term bank deposits | **166,182** | 446,653 | **—** | — |
| | **332,818** | 664,191 | **18,459** | 42,899 |

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

### (b) Restricted bank deposit

Restricted bank deposit represents a deposit placed in a designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and building located in Guangzhou, the PRC (the "GZ Property").

On 30th October, 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property had been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property had been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement and the supplementary agreements signed on the same date, the Group placed a deposit into the designated bank account operated by the Mortgage Bank which amounted RMB89,000,000 (equivalent to HK$113,199,000) as at 31 December 2013. Funds deposited to this designated bank account are subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited to this designated bank account, the Mortgage Bank would release the charge on GZ Property. The legal title of the GZ Property was transferred to the Group in September 2014. The deposit outstanding in the designated bank account amounted to RMB19,220,000 (equivalent to HK$24,383,000) as at 31st December, 2014 which is requested by the Mortgage Bank to secure for the potential liabilities arising from a litigation in relation to the GZ Property (note 51(b)).

As at 31st December, 2014, cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$267,325,000 (2013: HK$639,453,000). RMB is not freely convertible into other currencies.

## 33. TRADE AND OTHER PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **87,948** | 87,340 | **—** | — |
| Temporary receipts *(note)* | **151,195** | 21,825 | **124,974** | 30 |
| Deferred income | **—** | 87 | **—** | — |
| Other payables and accruals | **204,247** | 209,096 | **26,756** | 26,661 |
| Deposits received | **43,665** | 44,163 | **2,582** | 2,647 |
| | **487,055** | 362,511 | **154,312** | 29,338 |

*Note: Balance as at 31st December, 2014 included a temporary receipt of HK$124,936,000 received from a third party in relation to a proposed disposal of equity interest in a subsidiary of the Company. The transaction is subject to further negotiation with the third party at the end of the reporting period.*

## 34. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

## 35. DERIVATIVE FINANCIAL INSTRUMENTS

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Non-current assets | | |
| RMB/US$ forward contract | **—** | 74 |
| Current assets | | |
| RMB/US$ forward contracts | **32** | 46 |
| Non-current liabilities | | |
| RMB/US$ forward contract | **6,632** | — |

*Note:*

*The Group entered into forward foreign exchange contracts for investment purposes. The amount to be received/settled by the Group on monthly basis throughout the contract period depends on the exchange rate of US$ against RMB on each monthly valuation date.*

*As at 31st December, 2014, the total notional amount of the two outstanding forward foreign exchange contracts amounted to US$6,000,000. These contracts have a respective tenor of twenty-three and twenty-four months. The fair value of the forward foreign exchange contract that will mature in four months after the end of the reporting period is estimated to be HK$32,000 (financial asset) and it is classified as a current asset. The fair value of the other forward foreign exchange that will mature in thirteen months after the end of the reporting period is estimated to be HK$6,632,000 (financial liability) and it is classified as a non-current liability.*

*As at 31st December, 2013, the total notional amount of the two outstanding forward foreign exchange contracts amounted to US$4,000,000. These contracts have a respective tenor of twenty-three and twenty-four months. The fair value of the forward foreign exchange contract that would mature in one month after the end of the reporting period was estimated to HK$46,000 (financial asset) and it was classified as a current asset. The fair value of the other forward foreign exchange that will mature in sixteen months after the end of the reporting period was estimated to be of HK$74,000 (financial asset) and it was classified as a non-current asset.*

*The fair values of the forward foreign exchange contracts are determined by reference to the valuation provided by a third party financial institution.*

## 36. BANK BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank borrowings | | | | |
| Current liabilities | **461,097** | 602,595 | **325,285** | 435,904 |
| Non-current liabilities | **566,228** | 598,500 | **566,228** | 598,500 |
| | **1,027,325** | 1,201,095 | **891,513** | 1,034,404 |
| Bank borrowings | | | | |
| Secured *(note 48)* | **868,830** | 951,786 | **780,345** | 860,000 |
| Unsecured | **158,495** | 249,309 | **111,168** | 174,404 |
| | **1,027,325** | 1,201,095 | **891,513** | 1,034,404 |

The maturity of bank borrowings is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current liabilities | | | | |
| Due within one year | **241,151** | 498,193 | **190,285** | 419,904 |
| Due after one year which contain a repayment on demand clause | **219,946** | 104,402 | **135,000** | 16,000 |
| | **461,097** | 602,595 | **325,285** | 435,904 |
| Non-current liabilities | | | | |
| Due in two to five years | **566,228** | 598,500 | **566,228** | 598,500 |
| | **1,027,325** | 1,201,095 | **891,513** | 1,034,404 |

The analysis of bank borrowings by scheduled repayment is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Portion of bank loans due for repayment within one year | **241,151** | 498,193 | **190,285** | 419,904 |
| Bank loans due for repayment after one year *(note)* | | | | |
| After one year but within two years | **82,818** | 86,040 | **79,118** | 82,500 |
| After two years but within five years | **695,160** | 608,239 | **622,110** | 532,000 |
| More than five years | **8,196** | 8,623 | **—** | — |
| | **786,174** | 702,902 | **701,228** | 614,500 |
| | **1,027,325** | 1,201,095 | **891,513** | 1,034,404 |

*Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.*

## 36. BANK BORROWINGS *(Continued)*

The carrying amounts of the bank loans are denominated in the following currencies:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| HK$ | **871,346** | 1,032,000 | **871,345** | 1,032,000 |
| US$ | **155,979** | 169,095 | **20,168** | 2,404 |
| | **1,027,325** | 1,201,095 | **891,513** | 1,034,404 |

Among the Group's bank borrowings as at 31st December, 2014, HK$158,495,000 (2013: HK$217,309,000) were arranged at fixed annual interest rates of 1.17%–2.04% (2013: 1.37%–2.41%). The remaining balance of the Group's bank borrowings of HK$868,830,000 (2013: HK$983,786,000) were arranged at floating rates of 1.94%–4.5% (2013: 1.92%–4.5%) per annum.

Among the Company's bank borrowings as at 31st December, 2014, HK$111,168,000 (2013: HK$142,404,000) were arranged at fixed annual interest rates of 1.37%–2.04% (2013: 1.37%–2.41%). The remaining balance of the Company's bank borrowings of HK$780,345,000 (2013: HK$892,000,000) were arranged at floating rates of 1.94%–2.73% (2013: 1.92%–2.73%) per annum.

The Group's and the Company's interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

As at 31st December, 2014, the Group's and the Company's bank borrowings amounted to HK$856,338,000 (2013: HK$1,004,303,000) and HK$841,513,000 (2013: HK$984,404,000) respectively were secured by personal guarantee granted by the director, Mr. Billy K Yung.

## 37. OTHER LIABILITIES

Other liabilities are unsecured, interest-bearing at fixed amounts as set out in the respective agreements. Other liabilities as at 31st December, 2013 were due for repayment within five years. Majority of the outstanding balances as at 31st December, 2013 has been early settled by the Group during the year and the Group incurred a loss on early settlement of other liabilities amounting to HK$2,058,000 (2013: nil).

## 38. LOAN FROM NON-CONTROLLING INTEREST

The loan is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

## 39. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31st December, 2014 is HK$9,206,000 (2013: HK$12,521,000), which is attributed to the certain subsidiaries that are not 100% owned by the Group. In the opinion of the directors, none of the non-controlling interests of these subsidiaries are material to the Group.

## 40. DEFERRED TAX

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

### The Group

| | Accelerated tax depreciation HK$'000 | Amortisation on intangible assets HK$'000 | Allowance on other receivable HK$'000 | Revaluation of properties HK$'000 | Fair value changes in equity securities HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1st January, 2013 | 406 | 41,308 | (361) | 94,365 | — | (5,047) | 130,671 |
| Translation adjustment | — | 1,370 | — | 1,525 | — | 29 | 2,924 |
| Charged/(Credited) to profit or loss *(note 10)* | 148 | 5,234 | (75) | (91,013) | — | 5,018 | (80,688) |
| Acquisition of a subsidiary *(note 44)* | — | — | — | 415,517 | — | — | 415,517 |
| At 31st December, 2013 and 1st January, 2014 | 554 | 47,912 | (436) | 420,394 | — | — | 468,424 |
| Translation adjustment | — | (145) | — | (6) | 128 | — | (23) |
| Charged/(Credited) to profit or loss *(note 10)* | 170 | 3,916 | (138) | 3,473 | 29,448 | — | 36,869 |
| Charged/(Credited) to other comprehensive income | — | — | — | 27,668 | — | — | 27,668 |
| At 31st December, 2014 | 724 | 51,683 | (574) | 451,529 | 29,576 | — | 532,938 |

Represented by:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Deferred tax liabilities | **532,938** | 468,424 |

As at 31st December, 2014, the Group has unused tax losses of approximately HK$276,457,000 (2013: HK$216,688,000) available for offset against future profits. No deferred tax assets in respect of these tax losses has been recognised in the financial statements due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$26,556,000 (2013: HK$23,167,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2014, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$280,981,000 as at 31st December, 2014 (2013: HK$245,525,000).

### The Company

| | Accelerated tax depreciation HK$'000 | Allowance on other receivable HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 31st December, 2013 | 402 | (361) | 41 |
| Charged/(Credited) to profit or loss | 149 | (75) | 74 |
| At 31st December, 2013 and 1st January, 2014 | 551 | (436) | 115 |
| Charged/(Credited) to profit or loss | 171 | (138) | 33 |
| At 31st December, 2014 | **722** | **(574)** | **148** |

For the purposes of presentation of the financial statements, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

## 41. SHARE CAPITAL

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Number of shares ’000** | **Nominal value** | Number of shares ’000 | Nominal value |
| **Authorised** | | | | |
| *Ordinary share of US$0.00002 each* | | | | |
| Balance at the beginning and end of the year | **600,000** | **US$12,000** | 600,000 | US$12,000 |
| **Issued and fully paid** | | | | |
| *Ordinary share of US$0.00002 each* | | | | |
| Balance at the beginning and end of the year | **523,485** | **US$10,470** | 523,485 | US$10,470 |
| Shown in the financial statements as | | **HK$82,000** | | HK$82,000 |

The share capital of the Company comprises only of fully paid ordinary shares with a par value of US$10,470. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders’ meeting of the Company.

## 42. RESERVES

### The Group

Details of the movements in the Group’s reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

#### Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.18.

#### Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.7 and 3.8.

#### Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years’ losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

#### Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policies in notes 3.14 and 3.15.

#### Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

## 42. RESERVES *(Continued)*

### The Company

Details of the movements in the Company's reserves during the year and in prior year are as follows:

| | Dividend reserve HK$'000 | Contributed surplus HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1st January, 2013 | 2,617 | 896,524 | 473,635 | 1,372,776 |
| Profit and total comprehensive income for the year | — | — | 7,249 | 7,249 |
| Dividend paid | (2,617) | — | — | (2,617) |
| Proposed final dividend *(note 12)* | 2,617 | — | (2,617) | — |
| At 31st December, 2013 and 1st January, 2014 | 2,617 | 896,524 | 478,267 | 1,377,408 |
| Loss and total comprehensive income for the year | — | — | (28,186) | (28,186) |
| Dividend paid | (2,617) | — | — | (2,617) |
| Proposed final dividend *(note 12)* | 2,617 | — | (2,617) | — |
| At 31st December, 2014 | **2,617** | **896,524** | **447,464** | **1,346,605** |

#### Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

## 43. SHARE OPTION SCHEMES

### Subsidiaries

Netlink Assets Limited ("Netlink"), a wholly-owned subsidiary of the Company, operates a share option scheme (the "Netlink Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Netlink Scheme include the directors, employees and consultants of Netlink and any of its parent or subsidiaries. Netlink Scheme was adopted on 20th August, 2014 and will continue in effect for a term of 10 years from the later of (a) the effective date of Netlink Scheme, or (b) the earlier of the most recent approval from the board or shareholder of an increase in the number of shares received for issuance under Netlink Scheme.

The maximum aggregate number of shares of Netlink ("Netlink Shares") that may be subject to the grant of options under Netlink Scheme is 13,100,000 shares. The exercise price per Netlink Share to be issued pursuant to the exercise of the option will be determined by the administrator, but will be no less than 100% of the fair market value of the applicable Netlink Shares on the date of grant and subject to certain condition specified in Netlink Scheme.

The exercise period and the vesting schedule of the options is determinable by the administrator. For those options granted in the year, the options shall vest as to 50% on the 2nd year anniversary of the vesting commencement date, and 50% in the following two years on the basis of one forty-eight (1/48th) shall vest each month thereafter on the same day of the month as the vesting commencement date.

## 43. SHARE OPTION SCHEMES *(Continued)*

### Subsidiaries *(Continued)*

The following share options were outstanding under Netlink Scheme during the year.

| | | | | Number of options | | |
|---|---|---|---|---|---|---|
| **Grantee** | **Date of grant** | **Exercise period** | **Exercise price** | **As at 1st January, 2014** | **Granted during the year** | **As at 31st December, 2014** |
| Directors of Netlink | 20th August, 2014 | From the date of vesting to 20/08/2024 | US$1 | — | 6,188,921 | 6,188,921 |
| Employees | 20th August, 2014 | From the date of vesting to 20/08/2024 | US$1 | — | 4,740,373 | 4,740,373 |
| | | | | — | 10,929,294 | 10,929,294 |

The fair value of the share options granted was nil and no share option expense was recognised in profit or loss for the year ended 31st December, 2014.

The fair value of the options granted during the year was estimated at the date of grant using Black Scholes Model taking into account the terms and conditions which the options were granted. The following table lists the inputs to the model used:

| | |
|---|---|
| Dividend yield | 0% |
| Historical volatility | 45.57% |
| Risk-free interest rate | 1.859% |
| Expected life of option | 10 years |
| Expected volatility | 45.43% |

The volatility of a combination of companies of similar nature and size were used to estimate the expected volatility of Netlink Shares. The expected life of the option is based on the historical data and is not indicative of the exercise patterns that may occur.

No options have been exercised during the year ended 31st December, 2014.

At the end of the reporting period, there were 10,929,294 outstanding share options under Netlink Scheme. The exercise in full of the outstanding share options would, under the present capital of Netlink, result in issue of additional 10,929,294 Netlink Shares.

## 44. ACQUISITION OF A SUBSIDIARY

On 23rd December, 2013, the Group entered into a sale and purchase agreement with a third party for the acquisition of 60% of the equity interest of China Dynasty. Before the acquisition, the Group held 40% of the equity interest of China Dynasty and China Dynasty was accounted for as an associate of the Group. After the Acquisition, the Group's equity interest in China Dynasty has increased from 40% to 100% and the Group has obtained control over China Dynasty. Accordingly, China Dynasty becomes a indirect wholly-owned subsidiary of the Company. China Dynasty is a limited liability company incorporated in the British Virgin Islands and is principally engaged in property development in the PRC. The acquisition was completed on 31st December, 2013.

The consideration for the acquisition of the 60% equity interest of China Dynasty is HK$728,901,000, which is determined with reference to the net assets value of China Dynasty as at the completion date, adjusted for the value of the investment properties and deferred taxation.

The following table summaries the consideration payable for China Dynasty, the fair value of assets acquired, liabilities assumed at the acquisition date and gain on acquisition of China Dynasty.

| | **2013**<br>**HK$'000** |
|---|---|
| **Aggregate of consideration transferred and fair value of previously held equity interest:** | |
| Consideration for 60% equity interest | 728,901 |
| Fair value of previously held 40% equity interest *(note (a))* | 456,135 |
| | 1,185,036 |

| | **2013**<br>**Fair value**<br>**on acquisition**<br>**HK$'000** |
|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Investment properties | 1,682,724 |
| Trade and other receivables, prepayments and deposits *(note (b))* | 649 |
| Balances with group companies | 22,559 |
| Cash and cash equivalents | 745 |
| Trade and other payables | (21,490) |
| Taxation liabilities | (2,628) |
| Deferred tax liabilities | (415,517) |
| **Total identifiable net assets acquired** | 1,267,042 |
| **Gain on bargain purchase** *(note (c))* | (82,006) |
| | 1,185,036 |

*Notes:*

(a) *The acquisition-date fair value of the Group's 40% equity interest held in China Dynasty before the acquisition amounted to HK$456,135,000. The Group recognised a loss of HK$50,682,000 as a result of re-measuring the 40% equity interest of China Dynasty to fair value.*

(b) *The fair value and gross amount of the trade receivables and other receivables as at the acquisition date is HK$169,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.*

(c) *The Group recognised a gain on bargain purchase on acquisition of further 60% equity interest of China Dynasty amounted to HK$82,006,000. The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.*

## 44. ACQUISITION OF A SUBSIDIARY *(Continued)*

The net gain arising from the acquisition of China Dynasty amounted to HK$31,324,000 is recognised in "Other gains — Gain arising from acquisition of a subsidiary" in the consolidated income statement and is calculated as follows:

| | **2013** |
|---|---|
| | **HK$'000** |
| Gain on bargain purchase arising from acquisition of further 60% equity interest | 82,006 |
| Loss on re-measuring the fair value of previously held 40% equity interest | (50,682) |
| **Net gain arising from the acquisition of China Dynasty** | 31,324 |

An analysis of the cash flows in respect of the acquisition of China Dynasty is as follows:

| | **2013** |
|---|---|
| | **HK$'000** |
| Cash consideration paid | 722,700 |
| Bank balances and cash acquired | (745) |
| Net outflow of cash and cash equivalents in respect of the acquisition | 721,955 |

As the acquisition was completed on 31st December, 2013, China Dynasty had no contribution to the Group's revenue during the year ended 31st December, 2013. The Group's share of profit of China Dynasty for the period from 1st January, 2013 to the acquisition date on 31st December, 2013 was HK$151,709,000. Had the acquisition been occurred on 1st January, 2013, the Group's revenue and profit for the year ended 31st December, 2013 would have been HK$1,264,553,000 and HK$409,652,000 respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$931,000 had been expensed and are included in administrative expenses in the consolidated income statement for the year ended 31st December, 2013.

As at 31st December, 2013, the outstanding consideration payable for acquisition of China Dynasty was HK$6,201,000. The outstanding consideration has been fully settled during the year ended 31st December, 2014.

## 45. DISPOSAL OF AN ASSOCIATE

On 29th April, 2013, the Group entered into a sale and purchase agreement to acquire additional 47.47% equity interest in MDCL, at a consideration of US$3,900,000 (equivalent to approximately HK$30,420,000). Before the acquisition, the Group held 26.66% of the equity interest of MDCL which was accounted for as an associate of the Group. Through the acquisition, the Group's equity interest in MDCL has increased from 26.66% to 74.13%. The principal activities of MDCL are the sale of information technology infrastructure, provision of IT consultancy services and investment holding. The Group and other shareholders of MDCL were not optimistic about the future prospect of MDCL and had reached an agreement to dispose of the business . In order to facilitate the process of disposal of MDCL, the Group bought out the 47.47% equity interest in MDCL held by one of the shareholders of MDCL. Despite the Group consequently held 74.13% equity interest of MDCL, the Group has no control over the relevant activities of MDCL. Accordingly, the Group has continued to account for MDCL as an associate using equity method. Subsequently on 26th July, 2013, the Group entered into a sale agreement to dispose of the entire 74.13% equity interest in MDCL to the other shareholder of MDCL at a consideration of US$8,000,000 (equivalent to HK$62,228,000). The disposal was completed in August, 2013.

## 45. DISPOSAL OF AN ASSOCIATE *(Continued)*

The net gain arising from disposal of MDCL as a result of the above transactions amounted to HK$17,818,000, which is calculated as follows:

| | 2013<br>HK$'000 |
|---|---|
| Gain on bargain purchase arising from acquisition of additional 47.47% equity interest of MDCL *(note (a))* | 24,723 |
| Loss on disposal of 74.13% equity interest of MDCL *(note (b))* | (6,905) |
| **Net gain arising from disposal of MDCL** | 17,818 |

*Notes:*

*(a) The Group recognised a gain on bargain purchase on acquisition of 47.47% equity interest of MDCL amounted to HK$24,723,000, representing the difference between the fair value of consideration of HK$30,420,000 and the acquisition-date fair value of the net assets attributable to the 47.47% equity interest of MDCL amounted to HK$55,143,000. The acquisition was a bargain purchase in light of the expected processes necessary in procuring the disposal as well as the expected disposal costs to be incurred in future.*

*(b) The Group recognised a loss on disposal of 74.13% equity interest of MDCL, which is calculated as follows:*

| | *2013*<br>*HK$'000* |
|---|---|
| *Consideration* | *62,228* |
| *Net carrying value of 74.13% equity interests of MDCL* | *(82,415)* |
| *Goodwill* | *(850)* |
| *Reclassification from translation reserve attributable to MDCL* | *14,132* |
| *Loss on disposal of 74.13% equity interest of MDCL* | *(6,905)* |

The Group's share of losses of MDCL for the period from 1 January 2013 up to the date of disposal was HK$8,909,000. Net inflow of cash and cash equivalents in respect of the disposal during the year ended 31st December, 2013 amounted to HK$31,808,000.

## 46. ACQUISITION OF NON-CONTROLLING INTERESTS

During the year ended 31st December, 2014, the Group entered into an acquisition agreement with the non-controlling shareholder of 廣東匯泓投資有限公司 ("廣東匯泓") to acquire the remaining 30% equity interest of 廣東匯泓 at a consideration of RMB3,348,000 (equivalent to HK$4,208,000). 廣東匯泓 is an investment holding company established in the PRC holding 100% equity interest in 廣州匯朗物業管理有限公司("廣州匯朗"), a company established in the PRC principally engaged in property investment and development. Following the acquisition, the Group' equity interest in 廣東匯泓 and 廣州匯朗 increased from 70% to 100%. The transaction has been accounted for as an equity transaction with the non-controlling interest as follows:

| | **2014**<br>**HK$'000** |
|---|---|
| Consideration for acquiring 30% equity interest *(note)* | **4,208** |
| Net assets attributable to 30% equity interest | **(3,278)** |
| Decrease in equity attributable to owners of the Company | **930** |

*Note: The consideration for acquiring 30% equity interest of 廣東匯泓 amounting to HK$4,208,000 has been settled by offsetting the amount due from non-controlling interest in the year.*

## 47. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$4,268,000 (2013: HK$3,878,000) represent contributions paid/payable to these schemes by the Group in the current year.

## 48. PLEDGE OF ASSETS

At the end of the reporting period, other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group which are analysed as follows:

| | **THE GROUP** | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Investment properties | **1,807,716** | 1,808,738 |
| Property, plant and equipment | **21,785** | 16,133 |
| Prepaid lease rental on land | **8,724** | — |
| Investments held for trading | **110,334** | 106,083 |
| | **1,948,559** | 1,930,954 |

The issued share capital of certain subsidiaries held by the Company were pledged to banks to secure for the banking facilities granted to the Group. The aggregate net asset value of those subsidiaries as at 31st December, 2014 was approximately HK$1,333 million (2013: HK$1,267 million).

## 49. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its manufacturing plants and office properties under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to five years (2013: one to four years), and rentals are fixed over the contracted period. At the end of each reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

| | **THE GROUP** | | **THE COMPANY** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **6,364** | 5,246 | **1,200** | 1,200 |
| In the second to fifth year, inclusive | **7,565** | 8,274 | **3,300** | 4,500 |
| | **13,929** | 13,520 | **4,500** | 5,700 |

## 49. OPERATING LEASE ARRANGEMENTS *(Continued)*

### As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging one year to twenty-four years (2013: four months to twenty-four years). At the end of the reporting period, the Group and the Company had contracted with tenants for the following future minimum lease payments receivable:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **98,267** | 96,887 | **11,315** | 6,011 |
| In the second to fifth year, inclusive | **95,599** | 108,925 | **5,052** | — |
| Over five years | **1,038** | 1,164 | **—** | — |
| | **194,904** | 206,976 | **16,367** | 6,011 |

## 50. OTHER COMMITMENTS

As at the reporting date, the Group and the Company had other significant commitments as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Contracted for but not provided in the financial statements: | | | | |
| Purchase of property, plant and equipment | **18,952** | 2,276 | **—** | — |
| Acquisition of equity interest | **190,140** | — | **190,140** | — |

## 51. CONTINGENT LIABILITIES

(a) A lawsuit brought by a party (the "Party") alleging that the registration of the legal titles of the GZ Property passed to the Group as mentioned in note 32(b) being illegal and requesting the PRC land bureau to revoke the certificates of the GZ Property issued by it to the Group. Based on the advice from a PRC legal counsel, the transfer and the registration of the titles of the GZ Property are proper and the Group has legal titles and all relevant rights over the GZ Property since the transfer of titles is completed. Accordingly, the directors are of the opinion that the lawsuit would not result in significant financial impact to the Group.

(b) The Group has undertaken to bear the legal and professional fees as well as any economic obligation arising from the lawsuit initiated by the Mortgage Bank against the Party as mentioned in (a) above regarding the termination of the sale and purchase agreement entered into by the Mortgage Bank with the Party in 2007. A deposit amounting to RMB19,220,000 (equivalent to HK$24,383,000) as at 31st December, 2014 has been placed by the Group in the bank account designated by the Mortgage Bank to secure for the undertaking (note 32(b)). Based on the advice from a PRC legal counsel, the director are of the opinion that such undertaking would not result in significant accounting impact to the Group.

(c) At the end of the reporting period, the Company had issued the following significant guarantees:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Guarantee given to: | | |
| Banks for banking facilities granted to certain subsidiaries | **595,749** | 489,386 |
| A supplier of a subsidiary to secure the repayment of balance due by the subsidiary to the supplier | **89** | 121 |
| | **595,838** | 489,507 |

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

## 52. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Service fee paid to a director | **10,050** | 9,075 |

Service fee paid to the director, Mr. Billy K Yung, is for procuring for obtaining banking facilities by the Group which is charged on the basis of 0.75% (2013: 1.5%) on the facilities obtained.

Total staff costs include compensations to the key management personnel (including directors), details of which are as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **37,120** | 34,792 |
| Post-employment benefits | **680** | 584 |
| | **37,800** | 35,376 |

## 53. CAPITAL MANAGEMENT

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

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2014 and 2013 were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Debt | **1,027,325** | 1,201,095 |
| Less: cash and bank balances and restricted bank deposits | **(357,201)** | (777,390) |
| Net debt | **670,124** | 423,705 |
| Capital represented by total equity | **3,229,802** | 2,897,028 |
| Gearing ratio | **20.75%** | 14.63% |

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

## 54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

### 54.1 Categories of financial instruments

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| — investments held for trading | **793,058** | 549,624 | **—** | — |
| — derivative financial instruments | **32** | 120 | **—** | — |
| Loans and receivables# | **665,795** | 1,064,520 | **2,510,132** | 2,556,184 |
| Available-for-sale financial assets | **227,364** | 134,283 | **3,300** | 3,300 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| — derivative financial instruments | **6,632** | — | **—** | — |
| Financial liabilities at amortised cost^ | **1,481,838** | 1,575,386 | **1,372,675** | 1,311,564 |

\# *including trade and bills receivables, other receivables, loans receivable, amounts due from subsidiaries, associates and other related parties, finance lease receivables, and cash deposits.*

^ *including trade payables, other payables and accruals, refundable deposit received, amounts due to subsidiaries, associates and other related parties, bank borrowings, other liabilities and consideration payable.*

### 54.2 Financial results by financial instruments

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| **Fair value gain/(loss) on:** | | |
| Financial assets at fair value through profit or loss | | |
| — investments held for trading | **259,627** | (74,350) |
| Derivative financial instruments | **(7,137)** | 937 |
| **Decrease in fair value of:** | | |
| Available-for-sale financial assets | **(56,985)** | (32,145) |
| **Interest income or (expenses) on:** | | |
| Loans and receivables | **12,981** | 10,264 |
| Financial liabilities at amortised cost | **(29,731)** | (15,302) |
| **Dividend income from:** | | |
| Financial assets at fair value through profit or loss | | |
| — investments held for trading | **15,136** | 13,790 |
| Available-for-sale financial assets | **1,624** | 1,786 |
| **(Impairment loss)/Reversal of impairment loss on:** | | |
| Loans and receivables | **(9,164)** | 12,485 |
| Available-for-sale financial assets (recycled from other comprehensive income) | **(37,531)** | — |
| **Loss on early settlement of other liabilities** | **(2,058)** | — |
| **Write off of loans and receivables** | **(501)** | — |

## 54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

### 54.3 Fair value measurement

#### (a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2014 and 2013 across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instruments 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 using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000<br>(note) | Total<br>HK$'000 |
|---|---|---|---|---|
| **As at 31st December, 2014** | | | | |
| ***Financial assets*** | | | | |
| Available-for-sale financial assets | | | | |
| — Listed equity securities | **63,967** | **—** | **—** | **63,967** |
| — Unlisted equity securities *(note)* | **—** | **—** | **150,718** | **150,718** |
| — Unlisted investment funds | **—** | **9,379** | **—** | **9,379** |
| Investments held for trading | | | | |
| — Listed equity securities | **793,058** | **—** | **—** | **793,058** |
| Derivative financial instruments | **—** | **32** | **—** | **32** |
| ***Financial liabilities*** | | | | |
| Derivative financial instruments | **—** | **6,632** | **—** | **6,632** |
| **As at 31st December, 2013** | | | | |
| ***Financial assets*** | | | | |
| Available-for-sale financial assets | | | | |
| — Listed equity securities | 119,978 | — | — | 119,978 |
| — Unlisted investment funds | — | 11,005 | — | 11,005 |
| Investments held for trading | | | | |
| — Listed equity securities | 549,624 | — | — | 549,624 |
| Derivative financial instruments | — | 120 | — | 120 |

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

## 54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

### 54.3 Fair value measurement *(Continued)*

#### (a) Financial instruments measured at fair value *(Continued)*

*Note:*

*Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3) are as follows:*

| | ***HK'000*** |
|---|---|
| ***Unlisted equity securities*** | |
| *At 1st January, 2014* | **–** |
| *Purchases* | ***150,065*** |
| *Total gain recognised in profit or loss* | ***653*** |
| *At 31st December, 2014* | ***150,718*** |

*The fair value of the unlisted equity securities as at 31st December, 2014 has been estimated with reference to valuation carried out by Asset Appraisal Limited, an independent professional valuer using Black Scholes Model. The valuation requires the directors to make estimates and assumptions that are not supported by observable market prices or rates, including discount for lack of marketability. The marketability discount represents the amounts of premium or discounts determined by the Group that market participants would take into account when pricing the investments. The higher of the marketability discount, the lower the fair value of the investment.*

#### (b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, other receivables including loan receivables and finance lease receivables, balances with subsidiaries, associates, joint ventures and other related parties, bank balances including restricted cash deposits, trade payables and other payables, bank borrowings, other liabilities and consideration payable. Due to their short-term nature, their carrying values approximate their fair values.

For disclosure purpose, the fair values of non-current portion of loans receivable, finance lease receivables, bank borrowings and other liabilities are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group.

# 55. FINANCIAL RISK MANAGEMENT

## 55.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

## 55.2 Market risk

### (i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ or RMB. In addition, the Group's bank borrowings were mainly denominated in HK$ and US$. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2014 and 2013 were as follows:

| | **THE GROUP** | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Net financial assets | | |
| US$ | **61,107** | 49,928 |
| RMB | **18,935** | 441,312 |

In respect of those group entities with HK$ as functional currency, as HK$ is pegged to US$, the Group does not have material exchange risk on such currency. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

| | **THE GROUP** | |
|---|---|---|
| | **Increase/(Decrease) in profit for the year and retained profits** | |
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| RMB against HK$ | | |
| — strengthen by 5% (2013: 5%) | **790** | 18,425 |
| — weaken by 5% (2013: 5%) | **(790)** | (18,425) |

The changes in the exchange rate do not affect the Group's other components of equity.

# 55. FINANCIAL RISK MANAGEMENT *(Continued)*

## 55.2 Market risk *(Continued)*

### (ii) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is mainly exposed to equity price risk arising from its investments held for trading (see note 31) and the available-for-sale financial assets (note 22).

The Group's investments in listed equity securities are traded mainly in the stock exchanges of Hong Kong and Mainland China (2013: Hong Kong and Mainland China and United States). In the year, the Group invested in unlisted equity securities as well which are classified as available-for-sale financial assets. 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 in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's results in respect of those listed equity securities classified as financial assets at fair value through profit or loss due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

| | **THE GROUP Increase/(Decrease) in profit for the year and retained profits** | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Hong Kong — Hang Seng Index | | |
| +18% (2013: +9%) | **19,594** | 11,726 |
| –18% (2013: –9%) | **(19,594)** | (11,726) |
| United States — NASDAQ Composite Index | | |
| N/A (2013: +9%) | **–** | 507 |
| N/A (2013: –9%) | **–** | (507) |
| PRC — CSI 300 Index | | |
| +33% (2013: +16%) | **164,016** | 66,193 |
| –33% (2013: –16%) | **(164,016)** | (66,193) |

If the prices of the listed equity securities classified as available-for-sale financial assets had been 18% (2013: 9%) higher, available-for-sale financial assets revaluation reserve would increase by HK$11,514,000 (2013: HK$7,711,000). If the prices of these listed equity securities had been 18% (2013: 9%) lower, the Group's profit for the year would decrease by HK$11,514,000, representing impairment loss on the investments (2013: available-for-sale financial assets revaluation reserve would decrease by HK$7,711,000).

If the value of the unlisted equity securities classified as available-for-sale financial assets had been 20% higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$22,608,000.

If the value of the unlisted investment funds classified as available-for-sale financial assets had been 13% (2013: 14%) higher, available-for-sale financial assets revaluation reserve would increase by HK$1,219,000 (2013: HK$1,541,000). If the value of these unlisted investment funds had been 13% (2013: 14%) lower, the Group's available-for-sale financial assets revaluation reserve would decrease by HK$1,089,000 (2013: HK$1,541,000) and the Group's profit for the year would decrease by HK$130,000 (2013: nil).

## 55. FINANCIAL RISK MANAGEMENT *(Continued)*

### 55.2 Market risk *(Continued)*

#### (iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2014, approximately 85% (2013: 82%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the reporting date are disclosed in note 36.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

| | **THE GROUP** | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| **Increase/(Decrease) in profit for the year and retained profits** | | |
| Increase/(Decrease) in basis points ("bp") | | |
| +50 bp (2013: +50 bp) | **(3,661)** | (4,142) |
| –10 bp (2013: –10 bp) | **652** | 745 |

The changes in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of borrowings outstanding at the reporting date resembles that of the current financial year.

### 55.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting year to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and bank balances and restricted bank deposit (note 32) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are liquid securities quoted on recognised stock exchanges. As to unlisted securities, investment is made after credit assessment by investment team. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Concentration of credit risk is managed by the customer or counterparty. At 31st December, 2014, 32% (2013: 32%) of the total trade receivables was due from the Group's largest customer (determined by sale) within the business segment — electrical appliances and electronic components.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables, and other receivables are disclosed in note 28.

## 55. FINANCIAL RISK MANAGEMENT *(Continued)*

### 55.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's and the Company's financial liabilities as at 31st December, 2014 which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

| | THE GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **Repayable on demand or less than 1 year HK$'000** | **1 to 2 years HK$'000** | **2 to 5 years HK$'000** | **Over 5 years HK$'000** | **Total contractual undiscounted cash flow HK$'000** | **Carrying amount HK$'000** |
| **As at 31st December, 2014** | | | | | | |
| Interest-bearing bank borrowings *(note (a))* | **477,306** | **54,182** | **554,031** | **—** | **1,085,519** | **1,027,325** |
| Trade payables | **87,948** | **—** | **—** | **—** | **87,948** | **87,948** |
| Other payables and accruals | **317,197** | **—** | **—** | **—** | **317,197** | **317,197** |
| Amount due to a related party | **291** | **—** | **—** | **—** | **291** | **291** |
| Amount due to a director | **43,484** | **—** | **—** | **—** | **43,484** | **43,484** |
| Other liabilities | **187** | **—** | **—** | **—** | **187** | **187** |
| Loan from non-controlling interest | **—** | **—** | **—** | **5,406** | **5,406** | **5,406** |
| | **926,413** | **54,182** | **554,031** | **5,406** | **1,540,032** | **1,481,838** |
| **As at 31st December, 2013** | | | | | | |
| Interest-bearing bank borrowings *(note (a))* | 622,323 | 82,137 | 568,033 | — | 1,272,493 | 1,201,095 |
| Trade payables | 87,340 | — | — | — | 87,340 | 87,340 |
| Other payables and accruals | 228,688 | — | — | — | 228,688 | 228,688 |
| Amount due to a related party | 291 | — | — | — | 291 | 291 |
| Amount due to a director | 21,075 | — | — | — | 21,075 | 21,075 |
| Other liabilities | 11,625 | 8,162 | 8,792 | — | 28,579 | 25,584 |
| Loan from non-controlling interest | — | — | — | 5,112 | 5,112 | 5,112 |
| Consideration payable on acquisition of a subsidiary | 6,201 | — | — | — | 6,201 | 6,201 |
| | 977,543 | 90,299 | 576,825 | 5,112 | 1,649,779 | 1,575,386 |

## 55. FINANCIAL RISK MANAGEMENT *(Continued)*

### 55.4 Liquidity risk *(Continued)*

| | THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Repayable on demand or less than 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | Over 5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying Amount HK$'000 |
| **As at 31st December, 2014** | | | | | | |
| Interest-bearing bank borrowings *(note (a))* | **341,495** | **54,182** | **554,031** | **—** | **949,708** | **891,513** |
| Other payables and accruals | **149,788** | **—** | **—** | **—** | **149,788** | **149,788** |
| Amount due to a director | **31,485** | **—** | **—** | **—** | **31,485** | **31,485** |
| Amounts due to subsidiaries | **299,889** | **—** | **—** | **—** | **299,889** | **299,889** |
| | **822,657** | **54,182** | **554,031** | **—** | **1,430,870** | **1,372,675** |
| **As at 31st December, 2013** | | | | | | |
| Interest-bearing bank borrowings *(note (a))* | 455,632 | 82,137 | 568,033 | — | 1,105,802 | 1,034,404 |
| Other payables and accruals | 26,661 | — | — | — | 26,661 | 26,661 |
| Amount due to a director | 9,075 | — | — | — | 9,075 | 9,075 |
| Amounts due to subsidiaries | 241,424 | — | — | — | 241,424 | 241,424 |
| | 732,792 | 82,137 | 568,033 | — | 1,382,962 | 1,311,564 |

*Notes:*

(a) *For certain term loans which contain a repayment on demand clause which can be exercised at the lender's sole discretion, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.*

*The table that follows summaries the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.*

| | ***THE GROUP Maturity analysis — bank borrowings based on scheduled repayments*** | | | | |
|---|---|---|---|---|---|
| | ***Within 1 year HK$'000*** | ***In 2 to 5 years HK$'000*** | ***More than 5 years HK$'000*** | ***Total contractual undiscounted cash outflows HK$'000*** | ***Total carrying amount HK$'000*** |
| ***31st December, 2014*** | ***264,362*** | ***834,349*** | ***8,378*** | ***1,107,089*** | ***1,027,325*** |
| *31st December, 2013* | *522,106* | *760,593* | *11,720* | *1,294,419* | *1,201,095* |

| | ***THE COMPANY Maturity analysis — bank borrowings based on scheduled repayments*** | | | | |
|---|---|---|---|---|---|
| | ***Within 1 year HK$'000*** | ***In 2 to 5 years HK$'000*** | ***More than 5 years HK$'000*** | ***Total contractual undiscounted cash outflows HK$'000*** | ***Total carrying amount HK$'000*** |
| ***31st December, 2014*** | ***209,538*** | ***746,740*** | ***—*** | ***956,278*** | ***891,513*** |
| *31st December, 2013* | *439,632* | *666,441* | *—* | *1,106,073* | *1,034,404* |

(b) *The contractual financial guarantees provided by the Company are disclosed in note 51(c). As assessed by the directors, it is not probable that the banks or financial institutions would claim the Company for losses in respect of the guarantee contracts and it is not probable that the subsidiaries of the Company would default repayment of bank borrowings. Accordingly, no provision for the Company's obligations under the guarantees has been made. The contractual maturity of these guarantees is "on demand".*

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES

| Name of subsidiaries | Place of Incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Percentage of issued/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Atlantic Property Limited | USA | Ordinary | 500 shares of US$1 each | — | 100% | Property investment |
| China Dynasty Development Ltd | British Virgin Islands | Ordinary | 1,000 shares of US$1 each | — | 100% | Property investment |
| Extra-Fund Investment Limited *(note)* | Hong Kong | Ordinary | HK$2 | 100% | — | Securities trading |
| Famous Union Limited *(note)* | Hong Kong | Ordinary | HK$10,000 | — | 100% | Property development |
| Fast-Gain Overseas Limited | British Virgin Islands | Ordinary | 1 share of US$1 | — | 100% | Property investment |
| Fortress Link Investment Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Property development |
| Full Revenue Inc. | Samoa | Ordinary | 1 share of US$1 | 100% | — | Investment holding |
| Galactic Computing Corporation | British Virgin Islands | Ordinary | 23,861,240 shares of US$0.01 each | — | 100% | Investment holding |
| Grand Sea Development Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Investment holding |
| Guangzhou SMC Car Rental Company Limited | PRC^ | Paid up capital | HK$145,000,000 | — | 100% | Taxi operations |
| Landwick Development Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Property development |
| Netlink Assets Limited | British Virgin Islands | Ordinary | 1 share of US$1 | — | 100% | Investment holding |
| New Style Development Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Property development |
| Nimboxx, Inc. | USA | Paid up capital | US$100,000 | — | 100% | Computer hardware and software development |
| PFC Device Corporation | British Virgin Islands | Preferred | 4,956,153 shares of (US$5,522,820) | — | 95.5% | Design and trading of semiconductors and electronic components |
| | | Common | 105,000 shares of (US$105,000) | | | |
| PFC Device Holdings Limited | British Virgin Islands | Preferred | 4,956,153 shares of (US$5,522,820) | — | 95.5% | Investment holding |
| | | Common | 105,000 shares of (US$105,000) | | | |

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiaries | Place of Incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Percentage of issued/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| PFC Device (HK) Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 95.5% | Trading of semiconductors and electronic components |
| Quanta Global Limited | British Virgin Islands/ Hong Kong | Ordinary | 1 share of US$1 | — | 100% | Trading of electric fans |
| Shell Electric Mfg. (China) Company Limited | British Virgin Islands | Ordinary | 100 shares of US$10 each | — | 100% | Trading of electric fans |
| Shell Electric Mfg. (H.K.) Company Limited *(note)* | Hong Kong | Ordinary | HK$10,000 | 100% | — | Trading of electric fans |
| Shunde Hua Feng Stainless Steel Welded Tubes Limited | PRC* | Paid up capital | US$6,792,000 | — | 90.1% | Property investment |
| Silvergate Global Limited | British Virgin Islands | Ordinary | 1 share of US$1 | — | 100% | Investment holding |
| SMC Investments Limited *(note)* | Hong Kong | Ordinary | HK$2 | — | 100% | Property investment |
| SMC LED Corporation | USA | Ordinary | 500 shares of US$1 each | 100% | — | Trading of LED products |
| SMC Marketing Corp. | USA | Ordinary | 10,000 shares of US$1,021 each | 100% | — | Marketing of the Group's products |
| SMC Multi-Media Products Company Limited | British Virgin Islands | Ordinary | 1 share of US$1 | 100% | — | Contract manufacturing for optics and imaging |
| SMC Multi-Media (H.K.) Limited *(note)* | Hong Kong | Ordinary | HK$2 | — | 100% | Contract manufacturing for optics and imaging |
| SMC Multi-Media Trading Company Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Contract manufacturing for optics and imaging |
| SMC Property Investment Limited *(note)* | Hong Kong | Ordinary | HK$2 | 100% | — | Investment holding |
| Speed Power Limited *(note)* | Hong Kong | Ordinary | HK$2 | — | 100% | Trading of electric fans |

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiaries | Place of Incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Percentage of issued/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Sunny Resource Limited *(note)* | Hong Kong | Ordinary | HK$1 | 100% | — | Holding trade mark and patent of the Group |
| Sybond Venture Limited | Cayman Islands | Ordinary | 1 share of US$1 | 100% | — | Investment holding |
| Timely Hero Limited | Samoa | Ordinary | 1 share of US$1 | 100% | — | Investment holding |
| Vineyard Management Company | USA | Ordinary | 1,000 shares of US$10 each | — | 100% | Property investment |
| Wellfame Development Limited *(note)* | Hong Kong | Ordinary | HK$1 | — | 100% | Property development |
| 佛山市順德區蜆華多媒體製品有限公司 | PRC^ | Paid up capital | US$20,870,000 | — | 100% | Manufacturing and trading of electrical appliances |
| 業盈置業（深圳）有限公司 | PRC^ | Paid up capital | HK$10,000,000 | — | 100% | Property investment |
| 蜆壳星盈科技（深圳）有限公司 | PRC^ | Paid up capital | HK$40,000,000 | — | 100% | Computer software and hardware development |
| 佛山市順德區國潤投資有限公司 | PRC# | Paid up capital | RMB600,000 | — | 100% | Investment holding |
| 廣東匯泓投資有限公司 | PRC# | Paid up capital | RMB11,160,000 | — | 100% (2013: 70%) | Investment holding |
| 廣州匯朗物業管理有限公司 | PRC# | Paid up capital | RMB1,000,000 | — | 100% (2013: 70%) | Property investment and development |
| 普福斯電子元件（深圳）有限公司 | PRC^ | Paid up capital | US$300,000 | — | 95.5% | Design and trading of semiconductors and electronic components |

^ *The companies are incorporated in the PRC as wholly-owned foreign enterprises.*
* *The company is incorporated in the PRC as sino-foreign equity joint ventures.*
\# *The company is incorporated in the PRC as limited liability company.*

Note: The Hong Kong Companies Ordinance, Cap. 622 came into effect on 3rd March, 2014. Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622, shares in a company do not have nominal value. Accordingly, the concept of authorized share capital is abolished. The no nominal value regime applies to these Hong Kong incorporated subsidiaries.

The financial statements for the above subsidiaries were audited by BDO Limited for statutory purpose and/or for the purpose of Group consolidation.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

## 57. PARTICULARS OF ASSOCIATES

| Name of associates | Place of Incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Percentage of issued/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Hong Kong Construction SMC Development Limited *(note)* | Hong Kong | Ordinary | HK$10,000,000 | — | 20% | Investment holding |
| Kumagai SMC Development (Guangzhou) Ltd. | PRC^ | Paid up capital | US$59,000,000 | — | 20% | Property development |

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*

Note: The Hong Kong Companies Ordinance, Cap. 622 came into effect on 3rd March, 2014. Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622, shares in a company do not have nominal value. Accordingly, the concept of authorized share capital is abolished. The no nominal value regime applies to these Hong Kong incorporated associate.

The financial statements for the above associates were audited by BDO Limited for the purpose of Group consolidation.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

## 58. PARTICULARS OF PRINCIPAL JOINT VENTURES

| Name of joint ventures | Place of Incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Percentage of issued/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Appeon Corporation (HK) Limited *(note)* | Hong Kong | Class A voting | HK$500 | — | 50% | Investment holding and sale of software licence |
| | | Class B non-voting | HK$596.50 (2013: HK$500) | — | 52.36% (2013: 52.17%) | |
| 艾普陽軟件(深圳)有限公司 | PRC^ | Paid up capital | US$500,000 | — | 51.18% | Computer software and hardware development |

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*

Note: The Hong Kong Companies Ordinance, Cap. 622 came into effect on 3rd March, 2014. Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622, shares in a company do not have nominal value. Accordingly, the concept of authorized share capital is abolished. The no nominal value regime applies to these Hong Kong incorporated joint ventures.

The financial statements for the above joint ventures were audited by BDO Limited for the purpose of Group consolidation.