LERADO GROUP
隆成集團

Lerado Group (Holding) Company Limited

Stock Code : 1225

2014
Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

HUANG Ying Yuan
(Chairman and Chief Executive Officer)
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

INDEPENDENT NON-EXECUTIVE DIRECTORS

MAK Kwong Yiu
YE Jianxin
CHERN Shyh Feng

AUDIT COMMITTEE

MAK Kwong Yiu (Chairman)
YE Jianxin
CHERN Shyh Feng

REMUNERATION COMMITTEE

MAK Kwong Yiu (Chairman)
HUANG Ying Yuan
LAI Kin Chung, Kenneth
YE Jianxin
CHERN Shyh Feng

NOMINATION COMMITTEE

HUANG Ying Yuan (Chairman)
CHEN Chun Chieh
MAK Kwong Yiu
JE Jianxin
CHERN Shyh Feng

COMPANY SECRETARY

CHAN Kam Fuk

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1-3 30/F Universal Trade Centre
3-5A Arbuthnot Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

Level 22 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.irasia.com/listco/hk/lerado/index.htm

PRINCIPAL BANKERS

Chinatrust Commercial Bank, Ltd
The Hongkong and Shanghai Banking Corporation Limited

SOLICITOR

Sidley Austin

AUDITOR

Deloitte Touche Tohmatsu

Financial Highlights

	2014 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*
Revenue	**1,158,615**	1,590,494	1,698,775
(Loss)/profit before interest expenses and tax	**(140,048)**	(5,971)	60,775
As a percentage of revenue	**(12.1%)**	(0.4%)	3.6%
EBITDA	**(91,205)**	55,044	112,770
As a percentage of revenue	**7.9%**	3.5%	6.6%
(Loss)/profit attributable to owners of the company	**(145,996)**	(19,829)	40,868
As a percentage of revenue	**(12.6%)**	(1.2%)	2.4%
Total assets	**1,071,816**	1,739,949	1,791,616
Total capital employed*	**632,866**	1,343,738	1,424,736
Equity attributable to owners of the company	**632,866**	1,138,859	1,102,552
(Loss)/earnings per share (HK cents)	**(19.26)**	(2.64)	5.44
Return on average shareholders' equity	**(16.5%)**	(1.8%)	3.7%
Current ratio	**2.3**	1.9	1.9
Average inventory turnover (days)	**57**	78	75
Average trade debtor turnover (days)	**46**	63	58
Gearing ratio	**0.00**	0.18	0.29

* Total capital employed includes shareholders' equity and interest-bearing debts.

Management Discussion and Analysis

BUSINESS REVIEW

The Group was principally engaged in the manufacture and distribution of juvenile and infant products, medical products and plastic toys.

Medical Products and Plastic Toys Business

For the medical products and plastic toys business, US continued to be the largest export market of the Group. Sales revenue from US customers increased by 18.5% this year to HK$70.3 million, representing 45.4% of the total revenue from continuing operations. Revenue from European customers also increased by 15.7% this year to HK$55.2 million, accounting for 35.7% of the total revenue from continuing operations.

In terms of products, sales revenue from medical products for the year was HK$130.9 million, representing an increase of 10% over last year and accounted for 84.6% of the total revenue from continuing operations. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys decreased by 16.7% this year to HK$23.8 million mainly due to the intense competition in the market and the decline in orders from Middle East customers.

Juvenile and Infant Products Business

In June 2014, the Group entered into a sale and purchase agreement to dispose of its manufacture and distribution of juvenile and infant products business (the "Disposed Business") at a consideration of HK$930 million (subject to adjustment). With the slower than expected economic recovery in the two major markets of the Group's juvenile and infant products, US and Europe, coupled with the declining birth rates experienced by developed countries, the export markets continued to be weak. The Group has experienced a decline in profit margin in recent years under this difficult operating environment and therefore decided to exit the Disposed Business. The disposal was completed in October 2014. Please refer to the "Disposal of Subsidiaries" section below for details of the disposal.

Revenue from discontinued operations for the ten months period before completion of disposal of subsidiaries amounted to HK$1,003.9 million, representing a 30.4% decrease as compared to last year. The decline was mainly due to lower sales revenue from US customers and the decrease in sales of strollers.

Management Discussion and Analysis

PROSPECTS

After the disposal of the manufacture and distribution of juvenile and infant products business during the year, the Group will continue to carry on the existing medical products and plastic toys business. Building on the increasing demand for the medical products in the overseas markets, it is the Group's intention to expand the medical business into the PRC domestic market and develop new products to enlarge product offering in light of the growing aging population in the PRC.

The Group will also explore opportunities to diversify into other business sectors that could benefit from the growing aging population and health consciousness in the PRC, with a view to creating synergistic effects with the existing medical products business.

Given the Directors with concrete financial knowledge and background and Company's strong cash position, the Directors are in the view that it is a suitable time for the Company to take an active approach in generating immediate revenue and diversifying the Company's business portfolio in other business sector including securities trading, money lending business, and other financial and property investment.

On 23 February 2015, a wholly-owned subsidiary of the Company, Red Honour Holdings Limited ("Red Honour"), entered into a sale and purchase agreement with the vendors, pursuant to which the vendors conditionally agreed to sell, and Red Honour conditionally agreed to buy the entire issued share capital of the target company (the "Target") at a consideration of HK$1,600,000 plus the net asset value of the Target on the completion date (the "Acquisition"). The Target is principally engaged in securities brokerage business and intends to engage in margin financing business once the Acquisition is completed. The Acquisition has not been completed at the date of approval of these consolidated financial statements.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

FINANCIAL REVIEW

Consolidated revenue from continuing operations for 2014 was HK$154.7 million (2013: HK$147.6 million), representing an increase of 4.8% over last year. The increase was mainly due to the increase in sales of medical products.

Gross profit margin of continuing operations for the year was 15.5%, representing a decrease of approximately 0.5 percentage points as compared to the gross profit margin of 16% last year.

Loss for the year from continuing operations decreased by HK$8.5 million to HK$17.7 million. The improvement was mainly due to the increase in other income by HK$3.9 million and the decrease in administrative expenses by HK$2.7 million.

Loss for the year from discontinued operations amounted to HK$128.3 million which is mainly attributable to the estimated loss on disposal of subsidiaries recognized during the year. As explained in the "Disposal of Subsidiaries" section below, the final consideration is yet to be determined as a result of the disputed items. For the year ended 31 December 2014, the gain or loss on disposal of subsidiaries was recognized only to the extent of the portion of the consideration that is not in dispute. Accordingly, an estimated loss on disposal of subsidiaries of HK$116.8 million was recognized for the year ended 31 December 2014.

Loss attributable to owners of the Company increased by HK$126.2 million to HK$146 million mainly due to the estimated loss on disposal of subsidiaries of HK$116.8 million recognized during the year as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. The Board is of the opinion that the Group has sufficient resources to support its operations and meets its foreseeable capital expenditure.

During the year, the Group had net cash inflow of HK$49.4 million from its operating activities and HK$963.8 million from investing activities and used HK$426.1 million in financing activities. Cash and cash equivalent at 31 December 2014 increased by HK$577.8 million as compared to HK$219.2 million as at 31 December 2013.

As at 31 December 2014, the Group's bank and cash, mainly denominated in Hong Kong dollar and US dollar, was HK$797 million. The Group has fully repaid the bank loans during the year and there was no outstanding bank borrowing as at 31 December 2014.

As at 31 December 2014, the Group had net current assets of HK$532.6 million (31 December 2013: HK$494.9 million) and a current ratio of 2.3 (31 December 2013: 1.9). Average trade receivable turnovers and average inventory turnovers were 46 days (31 December 2013: 63 days) and 57 days (31 December 2013: 78 days) respectively.

DISPOSAL OF SUBSIDIARIES

On 16 June 2014, a wholly-owned subsidiary of the Company (the "Seller") and the Company entered into a sale and purchase agreement (the "S&P Agreement") with a subsidiary of Dorel Industries Inc. (the "Buyer"), pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy, the entire issued share capital of eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries, that engaged in the Group's Juvenile and Infant Products Business (the "Disposed Subsidiaries") at a consideration of HK$930 million (subject to adjustment) (the "Disposal"). The Disposal constitutes a very substantial disposal for the Company and was approved by the shareholders of the Company in September 2014. The Disposal was completed in October 2014.

As disclosed in the Company's circular dated 28 August 2014 (the "Circular") and pursuant to the S&P Agreement, the consideration for the Disposal is subject to adjustments based on the difference between the Reference NAV of HK$840 million and the Actual NAV (as defined in the Circular) as determined pursuant to the accounting policies as agreed under the S&P Agreement in the completion accounts. The Group disagreed with the draft completion accounts prepared by the Buyer and the significant downward adjustment to the consideration for the Disposal of HK$307.4 million requested by the Buyer. Up to the date of the approval of these consolidated financial statements, the Buyer and the Group have not reached agreement on the disputed items in the draft completion accounts and have agreed that the disputed items shall be referred to an independent accountant to be appointed by the Seller and the Buyer pursuant to the terms of the S&P Agreement who shall determine what adjustments (if any) are required to be made to the draft completion accounts.

As a result of the disputed items, the Actual NAV and the final consideration for the Disposal are yet to be determined. For the year ended 31 December 2014, the gain or loss on disposal of subsidiaries was only recognized to the extent of the portion of the consideration that is not in dispute. The downward adjustment to the consideration for the Disposal of HK$307.4 million claimed by the Buyer was presented as deferred consideration in the consolidated statement of financial position at 31 December 2014. When the consideration for the Disposal is finalized in future period, any difference between the gain or loss on disposal of subsidiaries calculated based on the final consideration and the estimated loss on disposal previously recognized in 2014 will be recognized in the profit or loss in future period.

PLEDGE OF ASSETS

During the year, the Group has fully repaid the bank borrowings secured with pledged bank deposits. No asset of the Group was pledged as at 31 December 2014.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in US dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi further appreciates, the Group will still be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

CONTINGENT LIABILITY

As at 31 December 2014, the Group was involved:

(i) in proceedings in relation to certain wholly-owned subsidiaries of the Company and Disposed Subsidiaries which entered into agreement with a U.S. based supplier in August 2002, pursuant to which the supplier appointed the Group as its exclusive distributor for the territories of China and Taiwan for a term of five years. The date of termination of the agreement is still being reviewed.

    The supplier initiated proceedings against the Group in the U.S. alleging that the Group owed them outstanding commission of approximately US$2.2 million which is still being reviewed by the United States District Court. The Group denied the allegations of the supplier and disputed their claims. The next trial date is still to be confirmed. As the outcome of the proceedings is uncertain, the Board is of the opinion that no provision for any potential liability would need to be made for the related claims in the consolidated financial statements of the Company as at 31 December 2014.

(ii) as a joint defendant in a civil claim initiated at the United States District Court for the District of Nebraska in April 2014 together with, among others, Baby Trend, Inc. on the alleged faulty design in a car seat manufactured by the Group under contract for Baby Trend, Inc. A trial date has not been set. The outcome of the proceedings is uncertain as at 31 December 2014 and no provisions for any potential liability needs to be made for the related claim in the consolidated financial statements of the Company as at 31 December 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed a total workforce of around 300 staff members, of which about 280 worked in the PRC, about 10 in Taiwan and the remaining in Hong Kong.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. HUANG Ying Yuan, aged 64, is a founding member, the Chairman and the Chief Executive Officer of the Company. Mr. Huang has 38 years of experience in the infant products industry. Mr. Huang oversees the Group's strategic planning and has particular responsibility for marketing.

Mr. CHEN Chun Chieh, aged 39, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. HUANG Shen Kai, aged 37, joined the Group since March 2005 and has been working as the Group Vice President for the manufacturing business of the Group. Mr. Huang is responsible for the Group's management and business development in the PRC market. Mr. Huang holds a Bachelor's Degree of Business Administration from the Rochester University of Institute and a Master's Degree of Business Administration from the American University. Mr. Huang is the son of Mr. Huang Ying Yuan, chairman and chief executive officer of the Company.

Mr. LAI Kin Chung, Kenneth, aged 45, has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 — Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MAK Kwong Yiu, aged 40, graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the HKICPA since May 2003. Mr. Mak is currently an executive director of Convoy Financial Services Holdings Limited, whose shares are listed on the Main Board of the Stock Exchanged and an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited), whose shares are listed on the Main Board of the Stock Exchange.

Mr. YE Jianxin, aged 61, has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

Mr. CHERN Shyh Feng, aged 47, is the founder and Chairman of Paralink Asset Management Asia Limited. Mr. Chern has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions and listed companies. Mr. Chern obtained his Bachelor Degree in Accounting from the Ohio State University in United States of America and Master Degrees in Accounting and Business Administration in Finance respectively from the University of Illinois in United States of America. Mr. Chern has held executive positions at several investment banks, securities houses and asset management companies in Taiwan, Shanghai and Hong Kong. He was lecturer of Taiwan Securities and Futures Markets International Development Fund and Faculty of Banking and Finance of Tamkang University in Taipei. Mr. Chern was an independent non-executive director of the Company during the years from 2009 to 2014, therefore he is very familiar with the culture and operations of the Company.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE CODE

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations set out below:

Under the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Huang Ying Yuan, throughout year 2014.

The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

The Company will review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing shareholders' value including setting and approving the Company's strategic plan, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the CEO, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Corporate Governance Report

Board Composition

As at the date of this Annual Report, the Board comprises of 7 members in total, with 4 executive directors and 3 independent non-executive directors.

The composition of the Board during the year ended 31 December 2014 and up to the date of this Annual Report is set out below:

Executive Directors

HUANG Ying Yuan, *Chairman and Chief Executive Officer*
HUANG CHEN Li Chu, *Vice Chairman (resigned on 22 August 2014)*
CHEN Chun Chieh
HUANG Shen Kai *(appointed on 22 August 2014)*
LAI Kin Chung, Kenneth *(appointed on 15 December 2014)*

Independent Non-Executive Directors

LIM Pat Wah Patrick *(resigned on 31 December 2014)*
HUANG Zhi Wei *(resigned on 6 February 2015)*
MAK Kwong Yiu *(appointed on 25 April 2014)*
YE Jianxin *(appointed on 15 December 2014)*
CHERN Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*

The biographical details of the current Board members are set out under the section headed "Directors' Profile" on page 8 of this report. Each of the independent non-executive directors is appointed for a term of three years.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Chairman and CEO

Under code provision A.2.1 of the CG Code, the roles of the chairman and the CEO should be separated and should not be performed by the same individual.

During the year ended 31 December 2014, the Company has not separated the roles of chairman and the CEO of the Company and Mr. Huang Ying Yuan was the chairman and also the CEO of the Company responsible for overseeing the operations of the Group during such period. The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including CEO and Company Secretary attend all regular board meetings and where necessary, other board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

Corporate Governance Report

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2014, 5 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the board meetings and the annual general meeting for the year 2014 (the "2014 AGM") during the year ended 31 December 2014 are set out below:

Name of Director	Attendance/ Number of Meetings: Board Meetings	2014 AGM
Huang Ying Yuan	5/5	1/1
Huang Chen Li Chu *(resigned on 22 August 2014)*	1/3	0/1
Chen Chun Chieh	5/5	1/1
Huang Shen Kai *(appointed on 22 August 2014)*	2/2	0/0
Lai Kin Chung, Kenneth *(appointed on 15 December 2014)*	0/0	0/0
Lim Pat Wah Patrick *(resigned on 31 December 2014)*	5/5	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	5/5	1/1
Mak Kwong Yiu *(appointed on 25 April 2014)*	4/4	0/1
Ye Jianxin *(appointed on 15 December 2014)*	0/0	0/0
Chern Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*	1/1	0/0

Directors' Training

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the directors to update and refresh the directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the directors' awareness of good corporate governance practices.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the CEO and the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, Remuneration Committee and Audit Committee is provided with sufficient resources to discharge their duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

The Nomination Committee comprises 5 members, namely Mr. Huang Ying Yuan, Mr. Chen Chun Chieh, Mr. Mak Kwong Yiu, Mr. Ye Jianxin and Mr. Chern Shyh Feng, the majority of which are independent non-executive directors, with Mr. Huang Ying Yuan acting as the chairman.

The principal duties of the Nomination Committee include reviewing the board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

During the year ended 31 December 2014, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and, in particular, the chairman and the CEO of the Company; and
- to review the policy on board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the Stock Exchange and the Company's website.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Huang Ying Yuan	1/1
Chen Chun Chieh	1/1
Lim Pat Wah Patrick *(resigned on 31 December 2014)*	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	1/1
Mak Kwong Yiu *(appointed on 25 April 2014)*	1/1
Ye Jianxin *(appointed on 15 December 2014)*	0/0
Chern Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*	0/0

Remuneration Committee

The Remuneration Committee comprises 5 members, namely Mr. Huang Ying Yuan, Mr. Lai Kin Chung, Kenneth, Mr. Mak Kwong Yiu, Mr. Ye Jianxin and Mr. Chern Shyh Feng, the majority of which are independent non-executive directors, with Mr. Mak Kwong Yiu acting as the chairman.

The Remuneration Committee is responsible for making recommendations to the directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Their written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2014, the Remuneration Committee was primarily responsible for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;

- recommending to the Board the specific remuneration packages of all executive directors and senior management members of the Company; and

- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

The Remuneration Committee held one meeting during the year ended 31 December 2014 and the details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meeting**
Huang Ying Yuan	1/1
Lim Pat Wah Patrick *(resigned on 31 December 2014)*	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	1/1
Lai Kin Chung, Kenneth *(appointed on 15 December 2014)*	0/0
Mak Kwong Yiu *(appointed on 25 April 2014)*	0/0
Ye Jianxin *(appointed on 15 December 2014)*	0/0
Chern Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*	1/1

Audit Committee

The Audit Committee comprises 3 members, namely Mr. Mak Kwong Yiu, Mr. Ye Jianxin and Mr. Chern Shyh Feng, all of whom are independent non-executive directors, with Mr. Mak Kwong Yiu acting as the chairman.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2014, the Audit Committee was primarily responsible:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2014 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Lim Pat Wah Patrick *(resigned on 31 December 2014)*	2/2
Huang Zhi Wei *(resigned on 6 February 2015)*	2/2
Mak Kwong Yiu *(appointed on 25 April 2014)*	1/1
Ye Jianxin *(appointed on 15 December 2014)*	0/0
Chern Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*	1/1

Corporate Governance Functions

During the period under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 26.

During the year ended 31 December 2014, the remuneration paid/payable to the Company's external auditors, Messrs Deloitte Touche Tohmatsu, is set out below:

Type of Services	Fees Paid/ Payable *(HK$)*
Audit Services	
— Audit of annual financial statements	1,463,000
Non-Audit Services	
— Review of interim financial statements	195,000
— Services in connection with the Disposal	1,600,000
— Tax services	620,000
— Others	133,000
Total	4,011,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The annual general meeting regarding the financial results for the year ended 31 December 2014 (the "AGM") will be held on 28 May 2015. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Unit 1-3, 30/F., Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong or email to public@lerado.com.hk.

Corporate Governance Report

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2014.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.irasia.com/listco/hk/lerado/index.htm, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	(852) 2868 9918
By post:	Unit 1-3, 30/F, Universal Trade Centre 3-5A Arbuthnot Road, Central Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

A special dividend of 30 HK cents per share amounting to HK$228,203,000 in aggregate was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 October 2014 and 31 December 2014. The revaluation resulted in gains of HK$30,005,000 and HK$7,717,000 which were credited to property revaluation reserve at 31 October 2014 and 31 December 2014 respectively.

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

SHARE CAPITAL

During the year, 7,194,000 ordinary shares of HK$0.1 each were issued in relation to the share options exercised by employees under the share option scheme of the Company at exercise prices of HK$0.77 per share. Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2014	2013
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated profits	**2,011**	4,084
	246,472	248,545

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Huang Ying Yuan *(Chairman)*
Mrs. Huang Chen Li Chu *(Vice Chairman) (resigned on 22 August 2014)*
Mr. Chen Chun Chieh
Mr. Huang Shen Kai *(appointed on 22 August 2014)*
Mr. Lai Kin Chung, Kenneth *(appointed on 15 December 2014)*

Independent non-executive directors:

Mr. Lim Pat Wah Patrick *(resigned on 31 December 2014)*
Mr. Huang Zhi Wei *(resigned on 6 February 2015)*
Mr. Mak Kwong Yiu *(appointed on 25 April 2014)*
Mr. Ye Jianxin *(appointed on 15 December 2014)*
Mr. Chern Shyh Feng *(resigned on 16 April 2014 and appointed on 6 February 2015)*

In accordance with clause 86 and clause 87 of the Company's bye-laws, Mr. Huang Ying Yuan, Mr. Lai Kin Chung, Kenneth, Mr. Ye Jianxin and Mr. Chern Shyh Feng will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors will continue in office.

The terms of office of all independent non-executive directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Huang Ying Yuan has entered into service agreement with the Company for a period of three years commencing 1 December 1998 and will continue thereafter unless and until terminated by either party by three months' prior written notice.

Other than as disclosed above, no directors has service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Total interests	Approximate percentage of the issued share capital of the Company	Number of share options
	Beneficial owner	Spouse interest	Corporate interest			
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.05%	–
Mr. Chen Chun Chieh	1,018,000	–	96,805,800 *(note 3)*	97,823,800	12.86%	–
Mr. Mak Kwong Yiu	600,000	–	–	600,000	0.08%	–

Notes:

1. The spouse interest represents the shares held by Mrs. Huang Chen Li Chu, the spouse of Mr. Huang Ying Yuan.

2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

3. The corporate interest represents the shares held by Hwa Foo Investment Limited, which is controlled by Mr. Chen Chun Chieh.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code, as at 31 December 2014.

SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. David Michael Webb (Latest notification: 4 September 2014)	Beneficial owner *(Note 1)*	63,418,000	8.34%
Preferable Situation Assets Limited (Latest notification: 17 December 2014)	Beneficial owner *(Note 2)*	45,651,000	6.00%

Note 1: Mr. David Michael Webb beneficially owns 17,767,000 shares, and in addition he holds 45,651,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.

Note 2: Preferable Situation Assets Limited is 100% owned by Mr. David Michael Webb.

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2014.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

Other than those disclosed in note 28 to the consolidated financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 28, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,219,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 44% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 15% of the total purchases of the Group.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

PRE-EMPTIVE RIGHTS

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

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EMOLUMENT POLICY

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

The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event occurring after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

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

On behalf of the board

Huang Ying Yuan
CHAIRMAN
30 March 2015

Deloitte.
德勤

TO THE MEMBERS OF LERADO GROUP (HOLDING) COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 97, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to notes 9 and 31 to the consolidated financial statements which indicate that the Group recognised a loss on disposal of subsidiaries of HK$116,797,000, as a result of the disposal of the subsidiaries that are engaged in juvenile and infant products business (the "Disposal") for the year ended 31 December 2014. The Group has not reached an agreement with the buyer of the Disposal on certain items in the calculation of the adjustment to the consideration of the Disposal (the "Adjustment"). As the Adjustment has not been concluded as at the date of this report, the finalisation of the Adjustment may have a material effect on the final amount of consideration to be recognised. This would also have an impact on the profit or loss ultimately recognised in respect of the Disposal. However, the ultimate outcome of this matter cannot be presently determined.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Continuing operations			
Revenue	5	**154,676**	147,576
Cost of sales		**(130,686)**	(123,896)
Gross profit		**23,990**	23,680
Other income		**6,102**	2,163
Other gains and losses	6	**(1,513)**	(418)
Marketing and distribution costs		**(7,674)**	(8,511)
Research and development expenses		**(4,250)**	(4,740)
Administrative expenses		**(33,312)**	(35,983)
Share of result of an associate		**(650)**	(1,797)
Loss before taxation		**(17,307)**	(25,606)
Income tax expense	8	**(373)**	(593)
Loss for the year from continuing operations		**(17,680)**	(26,199)
Discontinued operation			
(Loss) profit for the year from discontinued operation	9	**(128,316)**	6,370
Loss for the year attributable to owners of the Company	10	**(145,996)**	(19,829)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings		**37,722**	75,711
Recognition of deferred tax liability arising on revaluation of land and buildings		**(8,840)**	(18,049)
		28,882	57,662
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation		**(10,895)**	22,384
Share of exchange difference of an associate		**84**	(72)
Reclassification of translation reserve upon disposal of			
— Subsidiaries		**(155,911)**	—
— An associate		**489**	—
		(166,233)	22,312
Other comprehensive (expense) income for the year		**(137,351)**	79,974
Total comprehensive (expense) income for the year		**(283,347)**	60,145

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
(Loss) profit attributable to owners of the Company:			
— from continuing operations		**(17,680)**	(26,199)
— from discontinued operation		**(128,316)**	6,370
Loss for the year attributable to owners of the Company		**(145,996)**	(19,829)
Total comprehensive (expense) income attributable to owners of the Company:			
— from continuing operations		**(9,693)**	(13,674)
— from discontinued operation		**(273,654)**	73,819
Total comprehensive (expense) income for the year attributable to owners of the Company		**(283,347)**	60,145
		HK cents	*HK cents*
Loss per share	14		
From continuing and discontinued operations			
— Basic		**(19.26)**	(2.64)
— Diluted		**N/A**	N/A
From continuing operations			
— Basic		**(2.33)**	(3.48)
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**98,340**	595,622
Prepaid lease payments	16	**16,151**	111,687
Intellectual property rights	17	**—**	492
Investment in an associate	18	**—**	5,166
Available-for-sale investments	19	**—**	641
Deposits paid for lease premium of land		**—**	2,007
		114,491	715,615
Current assets			
Inventories	21	**26,598**	268,696
Trade and other receivables and prepayments	22	**128,234**	356,219
Prepaid lease payments	16	**203**	2,799
Held-for-trading investments	23	**5,321**	—
Derivative financial instruments	24	**—**	5,246
Taxation recoverable		**—**	725
Pledged bank deposits	25	**—**	162,489
Structured bank deposits	25	**—**	8,970
Bank balances and cash	25	**796,969**	219,190
		957,325	1,024,334
Current liabilities			
Trade and other payables and accruals	26	**90,619**	312,715
Taxation payable		**26,651**	9,196
Bank borrowings	27	**—**	204,879
Derivative financial instruments	24	**—**	2,684
Deferred consideration	31	**307,426**	—
		424,696	529,474
Net current assets		**532,629**	494,860
		647,120	1,210,475

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	29	**76,068**	75,348
Reserves		**556,798**	1,063,511
Total equity		**632,866**	1,138,859
Non-current liability			
Deferred tax liabilities	20	**14,254**	71,616
		647,120	1,210,475

The consolidated financial statements on pages 28 to 97 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Huang Ying Yuan
DIRECTOR

Chen Chun Chieh
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Statutory surplus reserve fund *HK$'000*	Enterprise expansion fund *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 January 2013	75,071	108,431	39,312	130,239	47,176	3,091	153,177	1,127	1,270	543,658	1,102,552
Loss for the year	–	–	–	–	–	–	–	–	–	(19,829)	(19,829)
Exchange differences arising from translation	–	–	–	–	–	–	22,384	–	–	–	22,384
Share of exchange difference of an associate	–	–	–	–	–	–	(72)	–	–	–	(72)
Gain on revaluation of land and buildings	–	–	–	75,711	–	–	–	–	–	–	75,711
Recognition of deferred tax liability arising on revaluation of land and buildings	–	–	–	(18,049)	–	–	–	–	–	–	(18,049)
Total comprehensive income (expense) for the year	–	–	–	57,662	–	–	22,312	–	–	(19,829)	60,145
Exercise of share options	277	2,183	–	–	–	–	–	(323)	–	–	2,137
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	414	–	–	414
Realised on deregistration of a subsidiary	–	–	–	–	(32)	–	–	–	–	–	(32)
Share options lapsed during the year	–	–	–	–	–	–	–	(67)	–	67	–
Transfer to statutory reserves	–	–	–	–	1,837	–	–	–	–	(1,837)	–
Dividends recognised as distributions *(note 13)*	–	–	–	–	–	–	–	–	–	(26,357)	(26,357)
At 31 December 2013	75,348	110,614	39,312	187,901	48,981	3,091	175,489	1,151	1,270	495,702	1,138,859
Loss for the year	–	–	–	–	–	–	–	–	–	(145,996)	(145,996)
Exchange differences arising from translation	–	–	–	–	–	–	(10,895)	–	–	–	(10,895)
Share of exchange difference of an associate	–	–	–	–	–	–	84	–	–	–	84
Gain on revaluation of land and buildings	–	–	–	37,722	–	–	–	–	–	–	37,722
Reclassified on disposal of subsidiaries	–	–	–	–	–	–	(155,911)	–	–	–	(155,911)
Reclassified on disposal of interest in an associate	–	–	–	–	–	–	489	–	–	–	489
Recognition of deferred tax liability arising on revaluation of land and buildings	–	–	–	(8,840)	–	–	–	–	–	–	(8,840)
Total comprehensive income (expense) for the year	–	–	–	28,882	–	–	(166,233)	–	–	(145,996)	(283,347)
Exercise of share options	720	5,642	–	–	–	–	–	(823)	–	–	5,539
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	18	–	–	18
Release upon disposal of subsidiaries	–	–	(802)	(154,417)	(49,362)	(3,091)	–	–	–	207,672	–
Share options lapsed during the year	–	–	–	–	–	–	–	(326)	–	326	–
Transfer to statutory reserves	–	–	–	–	381	–	–	–	–	(381)	–
Dividends recognised as distributions *(note 13)*	–	–	–	–	–	–	–	–	–	(228,203)	(228,203)
At 31 December 2014	76,068	116,256	38,510	62,366	–	–	9,256	20	1,270	329,120	632,866

Consolidated Statement of Changes In Equity

For the year ended 31 December 2014

The special reserve of the Group represents the following:

(a) A credit amount of HK$38,510,000 represents the difference between the nominal value of shares of Lerado Group Limited together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

(b) A credit amount of HK$802,000 represents the difference between the cost of acquisition of additional interest in a subsidiary and the carrying amount of the non-controlling interests at the date of which they were acquired by the Group. The amount was fully released to accumulated profits during the year upon the disposal of the subsidiary.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiary. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(141,311)**	(11,265)
Adjustments for:			
Amortisation of intellectual property rights		**358**	430
Amortisation of prepaid lease payments		**2,435**	2,798
Depreciation of property, plant and equipment		**46,050**	57,787
Finance cost		**1,263**	5,294
Impairment loss on trade and other receivables		**1,009**	7,121
Write down of trade and other receivables		**9,300**	—
Interest income		**(3,241)**	(8,543)
Loss (gain) on fair value changes of:			
— held-for-trading investments		**(91)**	—
— derivative financial instruments		**1,731**	(578)
Loss on disposal of property, plant and equipment		**6,656**	347
Share-based payment expense		**18**	414
Share of result of an associate		**650**	1,797
Direct write-off of inventories		**6,504**	—
Write-down of inventories		**17,300**	27,063
Loss on disposal of subsidiaries	31	**116,797**	—
Gain on disposal of an associate		**(39)**	—
Loss on disposal of available-for-sale investments		**9**	—
Operating cash flows before movements in working capital		**65,398**	82,665
Increase in inventories		**(30,683)**	(1,271)
Decrease in trade and other receivables and prepayments		**32,029**	24,306
Decrease (increase) in derivative financial instruments		**831**	(1,649)
(Decrease) increase in trade and other payables and accruals		**(8,941)**	781
Cash generated from operations		**58,634**	104,832
Hong Kong Profits Tax paid		**(1,362)**	(425)
Taxation paid in other jurisdictions		**(6,608)**	(4,675)
Interest paid		**(1,263)**	(5,294)
NET CASH FROM OPERATING ACTIVITIES		**49,401**	94,438

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 **HK$'000**	2013 *HK$'000*
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	31	**814,664**	—
Withdrawal of pledged bank deposits		**162,489**	200,760
Withdrawal (placement) of structured bank deposits		**8,970**	(8,970)
Proceeds from disposal of an associate		**5,099**	—
Interest received		**3,241**	8,543
Proceeds from disposal of property, plant and equipment		**3,011**	184
Proceeds from disposal of available-for-sale investments		**632**	—
Purchase of property, plant and equipment		**(29,081)**	(99,653)
Purchase of investment held for trading		**(5,230)**	—
Placement of pledged bank deposits		**—**	(162,450)
Payment of leasehold land		**—**	(11,598)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**963,795**	(73,184)
FINANCING ACTIVITIES			
Dividends paid		**(228,203)**	(26,357)
Repayment of bank loans		**(226,268)**	(324,025)
New bank loans raised		**22,829**	204,879
Proceeds from issue of shares upon exercise of share options		**5,539**	2,137
NET CASH USED IN FINANCING ACTIVITIES		**(426,103)**	(143,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**587,093**	(122,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**219,190**	332,782
Effect of foreign exchange rate changes		**(9,314)**	8,520
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**796,969**	219,190

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38.

The functional currency of the Company is United States dollars ("US$"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amounts Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the amounts reported in these consolidated financial statements or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(continued)*

New and revised HKFRSs issued but not yet effective

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle *(continued)*

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

The directors of the Company anticipate that other amendments will have no material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate

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

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate *(continued)*

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

Revenue from the sale of goods is recognised when goods are delivered and the title has passed.

Rental income, including rental invoiced in advance, from properties under operating leases, is recognised in profit or loss on a straight-line basis over the terms of the relevant leases.

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

Property, plant and equipment

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

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Intellectual property rights

Intellectual property rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of the intellectual property rights over their estimated useful lives, using the straight-line method.

Gains or losses arising from derecognition of intellectual property rights are measured at the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss when the assets are derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets acquired separately.

Inventories

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

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

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

The Group's financial assets at FVTPL are derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, structured bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are neither classified as financial assets at fair value through profit or loss nor loans and receivables.

The Group's available-for-sale equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivative that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instrument

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which interest expense is included in net gains or losses.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

Impairment losses

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

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

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

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

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

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

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

Estimated impairment loss on trade receivables and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is HK$25,280,000 (net of allowance for doubtful debts of HK$4,640,000) (2013: HK$267,734,000 (net of allowance of doubtful debts of HK$6,766,000)). As at 31 December 2014, the carrying amount of other receivables is HK$96,184,000 (2013: HK$69,546,000 (net of allowance for doubtful debt of HK$6,538,000)).

Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15 and 33(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS *(continued)*

Allowance for inventories

The management of the Group reviews its inventories at the end of the reporting period and make allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production. Management estimates the net realisable value for such items based on the market conditions at the end of reporting period and the latest invoice prices. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2014, the carrying amount of inventories is HK$26,598,000 (net of allowance for inventories of HK$5,216,000) (2013: HK$268,696,000, net of allowance for inventories of HK$50,903,000).

Estimated gain or loss on disposal of subsidiaries

As mentioned in notes 9 and 31, the Group in the current year disposed of the Disposed Subsidiaries to an independent third party. The consideration is yet to be finalised pending the finalisation of the completion accounts of the Disposed Subsidiaries and issuance of a report by an independent accountant which is yet to be appointed. An estimated loss on disposal of subsidiaries of HK$116,797,000 based on the portion of the consideration that is not in dispute with the buyer of the disposal has been recognised for the current year. The remaining consideration in dispute of HK$307,426,000 received by the Group but is subject to abovementioned uncertainty is recognised as deferred consideration, presented separately within the current liabilities section in the Group's consolidated statement of financial position as at 31 December 2014. Such an amount will be released to the profit or loss when the outcome of the abovementioned uncertainty can be reasonably ascertained. Up to the date of approval of these consolidated financial statements, the completion accounts has not yet been finalised nor has an independent accountant been appointed.

5. SEGMENT INFORMATION

As detailed in notes 9 and 31, the Group discontinued its manufacture and distribution of juvenile and infant products business (the "Juvenile and Infant Product Business") following the disposal of subsidiaries in October 2014. After the disposal, the Group's revenue and operating results were solely derived from the medical products and plastic toys business segment (previously referred to as "all others" segment) which comprises the manufacture and distribution of medical care products like powered and non-powered mobility aid, wheel chairs and other durable medical equipment and the manufacture and distribution of plastic toys like swings, slides and children furniture (the "Medical Products and Plastic Toys Business"). The chief operating decision maker, the Group's Executive Directors, review the internal reports for the Medical Products and Plastic Toys Business as a whole for the purposes of resources allocation and performance assessment. Accordingly, the Group has only one operating segment, which is the Medical Products and Plastic Toys Business. No segment analysis is presented other than entity-wide disclosures.

The segment information reported does not include any amounts for the Juvenile and Infant Product Business which are described in more details in note 9.

The Group's Executive Directors make decisions according to the operating results of the segment and internal reports on the ageing analysis of inventories and trade receivables which are disclosed in notes 21 and 22 respectively. No other information of segment assets and liabilities is regularly reviewed by Group's Executive Directors for the assessment of performance of different business activities.

5. SEGMENT INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products:

	2014	2013
	HK$'000	*HK$'000*
Medical products	**130,850**	118,976
Plastic toys	**23,826**	28,600
	154,676	147,576

Geographical information

The Group's operations are principally located in the People's Republic of China ("PRC"), Taiwan and Hong Kong. The Group's manufacturing function, marketing and sales functions are carried out in the PRC and the research and development function is carried out in Taiwan. The operations in Hong Kong include mainly finance and corporate administration.

The following table provides an analysis of the Group's revenue from continuing operations by geographical market based on locations of customers, irrespective of the origin of the goods:

	2014	2013
	HK$'000	*HK$'000*
The United States of America	**70,260**	59,288
Europe*	**55,205**	47,701
The PRC	**7,434**	8,779
Australia	**3,843**	3,493
South America	**1,840**	2,273
Others*	**16,094**	26,042
	154,676	147,576

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

5. SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from the two largest customers in respect manufacture and distribution of medical products and plastic toys amounted to approximately HK$46,600,000 and HK$21,900,000 respectively (2013: HK$31,300,000 and HK$23,200,000), which individually contributed more than 10% of the total sales of the Group.

6. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net foreign exchange (loss) gain	**(1,570)**	(417)	**2,750**	(6,261)	**1,180**	(6,678)
Loss on disposal of property, plant and equipment	**(64)**	(1)	**(6,592)**	(346)	**(6,656)**	(347)
(Loss) gain on fair value changes of:						
— derivative financial instruments	**—**	—	**(1,731)**	578	**(1,731)**	578
— held-for-trading investments	**91**	—	**—**	—	**91**	—
Loss on disposal of available-for-sale investments	**(9)**	—	**—**	—	**(9)**	—
Gain on disposal of an associate	**39**	—	**—**	—	**39**	—
	(1,513)	(418)	**(5,573)**	(6,029)	**(7,086)**	(6,447)

7. FINANCE COST

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank borrowings wholly repayable within one year	**—**	—	**1,263**	5,294	**1,263**	5,294

8. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
Hong Kong Profits Tax	**—**	—	**2,294**	1,316	**2,294**	1,316
PRC Enterprise Income Tax	**782**	684	**723**	3,008	**1,505**	3,692
Other jurisdictions	**45**	—	**1,038**	1,164	**1,083**	1,164
	827	684	**4,055**	5,488	**4,882**	6,172
(Over) underprovision in prior years:						
Hong Kong Profits Tax	**—**	—	**(10)**	(143)	**(10)**	(143)
PRC Enterprise Income Tax	**—**	—	**2,384**	(687)	**2,384**	(687)
	—	—	**2,374**	(830)	**2,374**	(830)
Deferred taxation:						
Current year	**(454)**	(91)	**(2,117)**	3,313	**(2,571)**	3,222
	373	593	**4,312**	7,971	**4,685**	8,564

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

Under the Law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Company was regarded as "High and New Tech Enterprise" since late 2009. Accordingly, this PRC subsidiary was subject to a reduced PRC Enterprise Income Tax rate of 15% for the year ended 31 December 2014 (2013: 15%).

As stated on the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax.

Corporate Income Tax in Taiwan is charged at 17% for both years.

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

8. INCOME TAX EXPENSE *(continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation from continuing operations	**(17,307)**	(25,606)
Tax at Hong Kong Profits Tax rate of 16.5%	**(2,856)**	(4,225)
Tax effect of share of result of an associate	**107**	297
Tax effect of expenses not deductible for tax purpose	**2,768**	3,686
Tax effect of income not taxable for tax purpose	**(2,063)**	(395)
Tax effect of tax losses not recognised	**2,216**	1,368
Utilisation of tax losses previously not recognised	**(2)**	(138)
Effect of different tax rates of subsidiaries operate in other jurisdictions	**203**	—
Income tax expense	**373**	593

Details of movements in deferred taxation are set out in note 20.

9. DISCONTINUED OPERATION

On 16 June 2014, the Company and its wholly-owned subsidiary, Lerado Group Limited (the "Seller"), entered into a sale and purchase agreement (the "S&P Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV (the "Buyer"), being independent third parties of the Group, pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries (the "Disposed Subsidiaries") which were engaged in the Juvenile and Infant Product Business (the "Disposal"), for a cash consideration of HK$930,000,000 (subject to adjustments as described in note 31). The control and benefits relating to the Disposed Subsidiaries have been transferred to the Buyer on 31 October 2014 (the "Disposal Date") and hence the Group derecognised the relevant assets and liabilities of these subsidiaries on the Disposal Date. After the Disposal, the Group ceased to operate the Juvenile and Infant Product Business and has continued to operate the Medical Products and Plastic Toys Business. The Juvenile and Infant Product Business is treated and presented as discontinued operation. Comparative figures in the consolidated statement of profit or loss and other comprehensive income have been re-presented to disclose separately the profit or loss from discontinued operation.

9. DISCONTINUED OPERATION *(continued)*

The profit or loss for the period/year from discontinued operation is set out below:

	Ten months ended 31 October 2014 ***HK$'000***	Year ended 31 December 2013 *HK$'000*
Revenue	**1,003,939**	1,442,918
Cost of sales	**(821,013)**	(1,176,208)
Other income	**16,427**	20,820
Other gains and losses	**(5,573)**	(6,029)
Marketing and distribution costs	**(60,499)**	(95,846)
Research and development expenses	**(60,553)**	(76,285)
Administrative expenses	**(78,672)**	(89,735)
Finance costs	**(1,263)**	(5,294)
Income tax expense	**(4,312)**	(7,971)
(Loss) profit for the period/year from discontinued operation	**(11,519)**	6,370
Add: Estimated loss on disposal of subsidiaries *(note 31)*	**(116,797)**	—
(Loss) profit for the period/year from discontinued operation	**(128,316)**	6,370

Loss for the period/year from discontinued operation includes the following:

	Ten months ended 31 October 2014 ***HK$'000***	Year ended 31 December 2013 *HK$'000*
Auditor's remuneration	**444**	585
Bank interest income	**(2,414)**	(8,143)
Depreciation of property, plant and equipment	**42,679**	53,273
Impairment loss on trade and other receivables	**—**	583
Write-down of trade and other receivables	**9,009**	—
Loss on disposal of property, plant and equipment	**6,592**	346
Direct write-off of inventories	**2,431**	—
Write-down of inventories to net realisable value	**15,584**	27,063

During the year ended 31 December 2014, the Juvenile and Infant Product Business generated HK$58,505,000 (2013: HK$90,863,000) from the Group's net operating cash flows, received HK$136,534,000 (2013: used HK$69,979,000) in respect of investing activities and used HK$347,512,000 (2013: HK$119,180,000) in respect of financing activities.

10. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):						
Salaries, allowances and bonuses, including those of directors	**30,706**	30,115	**231,957**	318,782	**262,663**	348,897
Equity settled share-based payments	**18**	414	**—**	—	**18**	414
Contributions to retirement benefit schemes, including those of directors	**988**	1,244	**10,452**	10,577	**11,440**	11,821
Total employee benefits expense, including those of directors	**31,712**	31,773	**242,409**	329,359	**274,121**	361,132
Amortisation of prepaid lease payments	**442**	442	**1,993**	2,356	**2,435**	2,798
Amortisation of intellectual property rights	**—**	—	**358**	430	**358**	430
Auditor's remuneration	**1,462**	1,277	**444**	585	**1,906**	1,862
Cost of inventories recognised as an expense	**130,686**	123,896	**821,013**	1,176,208	**951,699**	1,300,104
Depreciation of property, plant and equipment	**3,371**	4,514	**42,679**	53,273	**46,050**	57,787
Loss on disposal of property, plant and equipment	**64**	1	**6,592**	346	**6,656**	347
Impairment loss on trade and other receivables	**1,009**	6,538	**—**	583	**1,009**	7,121
Write-down of trade and other receivables	**291**	—	**9,009**	—	**9,300**	—
Direct write-off of inventories	**4,073**	—	**2,431**	—	**6,504**	—
Write-down of inventories to net realisable value	**1,716**	—	**15,584**	27,063	**17,300**	27,063
Bank interest income	**(827)**	(400)	**(2,414)**	(8,143)	**(3,241)**	(8,543)
Property rental income net of negligible outgoing expenses	**(476)**	—	**—**	(431)	**(476)**	(431)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2013: seven) directors and the chief executive are as follows:

2014

	Chief Executive and director	Directors									
	Huang Ying Yuan	Huang Chen Li Chu (note 1)	Chen Chun Chieh	Lim Pat Wah Patrick (note 2)	Huang Zhi Wei (note 3)	Huang Shen Kai (note 4)	Lai Kin Chung Kenneth (note 5)	Mak Kwong Yiu (note 6)	Ye Jianxin (note 7)	Chern Shyh Feng (note 8)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	299	239	–	–	159	5	73	775
Salaries and allowances	2,142	1,060	1,377	–	–	509	10	–	–	–	5,098
Contribution to retirement benefits	–	–	39	–	–	–	–	–	–	–	39
Total emoluments	2,142	1,060	1,416	299	239	509	10	159	5	73	5,912

2013

	Chief Executive and director	Directors						
	Huang Ying Yuan	Huang Chen Li Chu (note 1)	Chen Chun Chieh	Lim Pat Wah Patrick (note 2)	Huang Zhi Wei (note 3)	Chern Shyh Feng (note 8)	Chen Chao Jen (note 9)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'00	HK$'0000	HK$'000
Fees	–	–	–	289	229	229	–	747
Salaries and allowances	2,224	1,595	1,419	–	–	–	134	5,372
Contribution to retirement benefits	–	–	46	–	–	–	–	46
Total emoluments	2,224	1,595	1,465	289	229	229	134	6,165

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Note 1: Mrs. Huang Chen Li Chu resigned as an executive director on 22 August 2014.

Note 2: Mr. Lim Pat Wah Patrick resigned as an independent non-executive director on 31 December 2014.

Note 3: Mr. Huang Zhi Wei resigned as an independent non-executive director on 6 February 2015.

Note 4: Mr. Huang Shen Kai was appointed as an executive director on 22 August 2014. HK$896,000 emoluments were paid to Mr. Huang for the year ended 31 December 2014 for services rendered by him as an employee of the Group prior to his appointment as an executive director.

Note 5: Mr. Lai Kin Chung Kenneth was appointed as an executive director on 15 December 2014.

Note 6: Mr. Mak Kwong Yiu was appointed as an independent non-executive director on 25 April 2014.

Note 7: Mr. Ye Jianxin was appointed as an independent non-executive director on 15 December 2014.

Note 8: Mr. Chern Shyh Feng resigned as an independent non-executive director on 16 April 2014 and was appointed as an independent non-executive director on 6 February 2015.

Note 9: Mr. Chen Chao Jen resigned as an executive director on 31 January 2013.

Mr. Huang Ying Yuan is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the year ended 31 December 2014 (2013: nil).

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining (2013: two) individual are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**1,404**	3,672
Contribution to retirement benefit	**24**	32

Their emoluments were within the following bands:

	2014	2013
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	2

No emoluments were paid by the Group to the directors or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 special dividend of HK30 cents (2013: nil) per share	**228,203**	–
No final dividend paid in respect of the financial year ended 31 December 2013 (2013: 2012 final dividend of HK2.0 cents per share)	**–**	15,061
No interim dividend paid in respect of the six months ended 30 June 2014 (2013: 2013 interim dividend of HK1.5 cents per share)	**–**	11,296
	228,203	26,357

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2014 (2013: nil).

14. LOSS PER SHARE

(a) From continuing and discontinued operations

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

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	**(145,996)**	(19,829)
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic loss per share	**758,090,034**	752,356,110
Effect of dilutive potential ordinary shares in respect of share options	**1,534,591**	1,461,536
Weighted average number of ordinary shares for the purpose of diluted loss per share	**759,624,625**	753,817,646

No diluted loss per share is presented for both years since their assumed exercise of the share options would result in a decrease in diluted loss per share.

14. LOSS PER SHARE *(continued)*

(b) From continuing operations

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

	2014	2013
	HK$'000	*HK$'000*
Loss for the year from continuing operations	**(17,680)**	(26,199)

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

No diluted loss per share from continuing operations is presented for both years since their assumed exercise of the share options would result in a decrease in diluted loss per share.

(c) From discontinued operation

For 2013, basic earning per share from discontinued operation was HK0.85 cents per share and diluted earning per share from discontinued operation was HK0.85 cents per share, which were calculated based on the profit from discontinued operation for the year 2013 of HK$6,370,000 and the denominators detailed above.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2013	310,614	10,627	282,487	100,347	15,366	14,337	733,778
Exchange realignment	6,522	203	8,267	2,261	428	426	18,107
Additions	45,932	989	46,493	5,420	819	–	99,653
Disposals	(325)	(4,188)	(753)	(12,562)	(1,879)	–	(19,707)
Transfer	13,982	–	–	–	–	(13,982)	–
Adjustment on valuation	41,293	–	–	–	–	–	41,293
At 31 December 2013	**418,018**	**7,631**	**336,494**	**95,466**	**14,734**	**781**	**873,124**
Exchange realignment	**(4,673)**	**(46)**	**(3,819)**	**(943)**	**(179)**	**19**	**(9,641)**
Additions	**3,653**	**557**	**14,577**	**2,326**	**432**	**7,536**	**29,081**
Disposals	**–**	**–**	**(56,460)**	**(18,846)**	**(3,699)**	**–**	**(79,005)**
Disposal of subsidiaries *(note 31)*	**(341,139)**	**(7,526)**	**(266,924)**	**(75,276)**	**(10,000)**	**(4,370)**	**(705,235)**
Transfer	**3,966**	**–**	**–**	**–**	**–**	**(3,966)**	**–**
Adjustment on valuation	**14,277**	**–**	**–**	**–**	**–**	**–**	**14,277**
At 31 December 2014	**94,102**	**616**	**23,868**	**2,727**	**1,288**	**–**	**122,601**
Comprising:							
At cost	**–**	**616**	**23,868**	**2,727**	**1,288**	**–**	**28,499**
At valuation – 2014	**94,102**	**–**	**–**	**–**	**–**	**–**	**94,102**
	94,102	**616**	**23,868**	**2,727**	**1,288**	**–**	**122,601**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	–	7,764	159,618	86,541	8,823	–	262,746
Exchange realignment	3,210	187	4,947	1,952	267	–	10,563
Provided for the year	31,533	2,021	18,622	4,543	1,068	–	57,787
Eliminated on disposals	(325)	(4,171)	(716)	(12,368)	(1,596)	–	(19,176)
Adjustment on valuation	(34,418)	–	–	–	–	–	(34,418)
At 31 December 2013	**–**	**5,801**	**182,471**	**80,668**	**8,562**	**–**	**277,502**
Exchange realignment	**(1,686)**	**(37)**	**(2,255)**	**(726)**	**(108)**	**–**	**(4,812)**
Provided for the year	**25,131**	**784**	**15,789**	**3,472**	**874**	**–**	**46,050**
Eliminated on disposals	**–**	**–**	**(49,073)**	**(17,367)**	**(2,898)**	**–**	**(69,338)**
Eliminated on disposal of subsidiaries *(note 31)*	**–**	**(5,932)**	**(126,236)**	**(63,849)**	**(5,679)**	**–**	**(201,696)**
Adjustment on valuation	**(23,445)**	**–**	**–**	**–**	**–**	**–**	**(23,445)**
At 31 December 2014	**–**	**616**	**20,696**	**2,198**	**751**	**–**	**24,261**
CARRYING VALUES							
At 31 December 2014	**94,102**	**–**	**3,172**	**529**	**537**	**–**	**98,340**
At 31 December 2013	418,018	1,830	154,023	14,798	6,172	781	595,622

Note: Owner-occupied leasehold land are included in property, plant and equipment only when the allocation between the land and buildings elements cannot be made reliably.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Certain buildings of the Group erected on the lands in the PRC were not granted formal title of their ownership. At 31 December 2013, the carrying value of buildings in the PRC for which the Group had not been granted formal title amounted to HK$204,305,000. In the opinion of the directors, the absence of formal title does not impair the value of the relevant building. The relevant buildings were disposed upon the disposal of subsidiaries during the year.

As at 31 December 2014, the Group has not yet obtained legal titles of two properties (i.e. land and buildings) held by one of the Disposed Subsidiaries with the respective carrying amounts of HK$18,889,000 and HK$11,530,000 for buildings and prepaid lease payments, respectively. According to the S&P Agreement, the legal titles of these properties have to be transferred back to the Group as part of the transaction set out in note 31. Up to the date of approval of these consolidated financial statements, the legal title of one of the properties has been transferred to the Group, while the other one was still in progress which the directors of the Company are confident that the formal title will be granted to Group in due course.

The above items of property, plant and equipment other than construction in progress and freehold land are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10 — 20% or the remaining period of the leases, if shorter
Plant and machinery	10 — 20%
Furniture, fixtures and equipment	20 — $33^1/_3$%
Motor vehicles	20 — 50%

The carrying values of land and buildings held by the Group at the end of reporting period comprises:

	2014	2013
	HK$'000	*HK$'000*
Held in Hong Kong under long-term leases	**58,700**	54,400
Held in the PRC under medium term land use rights	**35,402**	315,145
Held in Taiwan, freehold	**—**	48,473
	94,102	418,018

The Group revalued its land and buildings at 31 October 2014 and 31 December 2014. The revaluation resulted in a gain of carrying values amounting to HK$30,005,000 and HK$7,717,000 which were credited directly to the property revaluation reserve at 31 October 2014 and 31 December 2014, respectively (31 December 2013: HK$ 75,711,000).

At 31 December 2014, the land and buildings in Hong Kong and certain land and buildings in the PRC of an aggregate carrying value of HK$58,700,000 (2013: HK$69,777,000) were valued under direct comparison approach. The remaining land and buildings in the PRC amounting to HK$35,402,000 (2013: HK$299,768,000) and the land and buildings in Taiwan amounting to HK$48,473,000 at 31 December 2013 were valued under depreciated replacement cost approach.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's land and buildings

The land and buildings of the Group were revalued at 31 October 2014 and 31 December 2014 by JP Assets Consultancy Limited and at 31 December 2013 by RHL Appraisal Limited, both being independent property valuers not connected with the Group.

The fair values of the land and buildings in Hong Kong and certain land and buildings in the PRC were determined based on the direct comparison approach that reflects recent comparable prices for similar properties, mainly adjusted for differences in the nature, location and condition (the "Professional Adjustments") of the land and buildings under review. The fair values of remaining land and buildings in the PRC and Taiwan were determined using depreciated replacement costs approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Direct comparison approach

The key unobservable input used in valuing the land and buildings under the direct comparison approach was the Professional Adjustments made on the comparable prices, which ranged from 7% to 13% (2013: 6% to 15%). A 1% increase in the Professional Adjustments made on the comparable prices used would result in an increase in the fair value of HK$574,000 (2013: HK$585,000) of the Group's land and buildings, and vice versa.

Depreciated replacement costs approach

The key unobservable input used in valuing the land and buildings under the depreciated replacement costs approach was the building construction costs per square metre, which ranged from HK$1,300 to HK$1,500 (2013: HK$1,600 to HK$3,900) per square metre. A HK$100 increase in the building construction costs per square metre used would result in an increase in the fair value of HK$2,100,000 (2013: HK$15,000,000) of the Group's land and buildings, and vice versa.

Details of the Group's land and buildings and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 3
	HK$'000
Leasehold land and buildings in Hong Kong	58,700
Leasehold land and buildings outside Hong Kong	35,402
	94,102

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

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$17,375,000 (2013: HK$253,129,000).

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments of HK$16,354,000 (2013: HK$114,486,000) represent leasehold land in the PRC held under medium-term lease. An amount of HK$203,000 (2013: HK$2,799,000) is classified under current assets for reporting purpose.

17. INTELLECTUAL PROPERTY RIGHTS

	HK$'000
COST	
At 1 January 2013	97,134
Exchange realignment	(2,667)
At 31 December 2013	94,467
Exchange realignment	(1,649)
Disposal of subsidiaries *(note 31)*	(92,818)
At 31 December 2014	—
AMORTISATION AND IMPAIRMENT	
At 1 January 2013	96,189
Exchange realignment	(2,644)
Provided for the year	430
At 31 December 2013	93,975
Exchange realignment	(1,643)
Provided for the year	358
Disposal of subsidiaries *(note 31)*	(92,690)
At 31 December 2014	—
CARRYING VALUES	
At 31 December 2014	—
At 31 December 2013	492

The amount represents the carrying value of the Group's intellectual property rights acquired in 1998. The intellectual property rights entitle the Group to manufacture infant products using the registered technology for a period ranging from 4 to 18 years commencing from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives, using the straight-line method. The intellectual property rights were disposed upon the disposal of subsidiaries during the year.

18. INVESTMENT IN AN ASSOCIATE

	2014	2013
	HK$'000	*HK$'000*
Cost of unlisted investment	**11,700**	11,700
Less: impairment loss recognised	**(3,600)**	(3,600)
	8,100	8,100
Share of post-acquisition losses and other comprehensive expense	**(3,529)**	(2,934)
	4,571	5,166
Disposal of an associate *(Note)*	**(4,571)**	—
	—	5,166

Note: On 12 November 2014, Sodium Zone Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sandmartin International Holdings Limited and its wholly-owned subsidiary, Top Dragon Development Limited, being independent third parties of the Group, for the disposal of 30% interest in Weblink Technology Limited ("Weblink"), an associate of the Group, at a consideration of HK$5,099,000 (the "Associate Disposal Transaction").

The Associate Disposal Transaction was completed and its consideration was fully settled by cash during the year.

Details of the Group's associates at 31 December 2013 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation/ establishment**	**Issued and fully paid share capital/ registered capital**	**Effective interest in the issued share capital/ registered capital held**	**Principal activity**
Weblink	Incorporated	British Virgin Islands ("BVI")	US$100	30%	Investment holding
FLT Hong Kong Technology Limited*	Incorporated	BVI	US$1	30%	Trading of optical fibre peripheral products
珠海保稅區隆宇光電科技有限公司*	Established	the PRC	US$1,548,000	30%	Manufacture and distribution of optical fibre peripheral products

* wholly-owned subsidiaries of Weblink

18. INVESTMENT IN AN ASSOCIATE *(continued)*

The summarised consolidated financial information of Weblink at 31 December 2013 is set out below:

	HK$'000
Total assets	43,299
Total liabilities	(26,080)
Net assets	17,219
Group's share of net assets	5,166
Revenue	35,054
Loss for the year	(5,992)
Other comprehensive expense	(240)
Group's share of loss and other comprehensive expense of the associate for the year	(1,869)

19. AVAILABLE-FOR-SALE INVESTMENTS

The Group's non-current available-for-sale investments at 31 December 2014 represent 8% equity interests in unlisted equity securities issued by a private entity established in the PRC which does not have a quoted market price in an active market. As the range of reasonable fair value estimates is so significant, the corresponding fair values cannot be measured reliably. Accordingly, the investment is measured at cost less impairment at the end of reporting period. This investment was fully impaired in prior years.

During the year, the Group disposed of the available-for-sale investments in the unlisted equity securities issued by a private entity established in Taiwan to independent third parties at a consideration of HK$632,000, and a loss on disposal of HK$9,000 was recognised in the profit or loss.

20. DEFERRED TAXATION

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

	Difference between accounting and tax depreciation	Revaluation of properties	Withholding income tax	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	(3,597)	38,929	12,010	2,562	49,904
Exchange realignment	—	—	345	96	441
(Credit) charge to profit or loss	(91)	—	7,316	(4,003)	3,222
Charge to other comprehensive income	—	18,049	—	—	18,049
At 31 December 2013	**(3,688)**	**56,978**	**19,671**	**(1,345)**	**71,616**
Exchange realignment	**—**	**—**	**(104)**	**(17)**	**(121)**
Credit to profit or loss	**(454)**	**—**	**(1,648)**	**(469)**	**(2,571)**
Release upon disposal of subsidiaries	**—**	**(47,422)**	**(17,919)**	**1,831**	**(63,510)**
Charge to other comprehensive income	**—**	**8,840**	**—**	**—**	**8,840**
At 31 December 2014	**(4,142)**	**18,396**	**—**	**—**	**14,254**

According to the EIT Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits generated by the companies established in the PRC for the financial year 2008 onwards to their foreign shareholders. No deferred taxation has been provided in respect of all the undistributed profits from those PRC subsidiaries since the PRC subsidiaries were disposed during the year (2013: HK$19,671,000).

At 31 December 2014, the Group had unused tax losses of HK$55,117,000 (2013: HK$277,696,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$55,117,000 will expire in 2015 to 2019 (2013: HK$230,532,000 will expire in 2014 to 2018). Other losses may be carried forward indefinitely.

21. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	**16,775**	79,250
Work in progress	**6,522**	67,627
Finished goods	**3,301**	121,819
	26,598	268,696

During the year, an allowance of HK$17,300,000 (2013: HK$27,063,000) was made on obsolete and slow-moving inventory items identified.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**29,920**	274,500
Less: allowance for doubtful debts	**(4,640)**	(6,766)
	25,280	267,734
Purchase deposits, other receivables and deposits	**18,630**	76,084
Less: allowance for doubtful debts	**–**	(6,538)
	18,630	69,546
Advance to a supplier	**–**	7,116
Prepayments	**6,770**	11,823
Escrow sum *(note 31)*	**77,554**	—
Trade and other receivables and prepayments	**128,234**	356,219

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

The Group allows an average credit period of 60 days to its customers. The following is an aged anlaysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**9,829**	127,334
31 to 90 days	**13,445**	113,063
Over 90 days	**2,006**	27,337
	25,280	267,734

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting period, the directors considered the debts not impaired nor past due are of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$10,233,000 (2013: HK$58,271,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss after consideration of the credit quality of those individual customers, the ongoing relationship with the Group, the aging of these receivables and their subsequently settlement pattern. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**6,761**	32,342
31 to 90 days	**3,203**	16,530
Over 90 days	**269**	9,399
Total	**10,233**	58,271

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Movement in the allowance for trade receivables

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**6,766**	6,183
Impairment loss on receivables	**1,009**	583
Disposal of subsidiaries	**(3,135)**	—
Balance at end of the year	**4,640**	6,766

Included in trade receivables are amounts net of individually impaired receivables amounting to HK$4,640,000 (2013: HK$6,766,000). The directors of the Company take into consideration the current financial position of the counterparties and their repayment history and consider that the chances of collection of the outstanding amounts are remote.

Movement in the allowance for other receivables

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**6,538**	—
Impairment losses on receivables	**—**	6,538
Amount written off as uncollectible	**(6,538)**	—
Balance at end of the year	**—**	6,538

At 31 December 2013, included in other receivables are amount of impaired receivables amounting to HK$6,538,000. The amount written off as uncollectible represents the prepayment of agency fee in connection with the services to be provided by an agent in obtaining certain land use rights in the PRC. The directors of the Company consider that the chance of obtaining the land use rights and recover the outstanding amount from the counter party is remote.

23. HELD-FOR-TRADING INVESTMENTS

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong	**5,321**	—

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	HK$'000	*HK$'000*
Foreign currency forward contracts		
— Assets	**–**	5,246
— Liabilities	**–**	(2,684)
	–	2,562

Major terms of the outstanding foreign currency forward contracts at 31 December 2013 are as follows:

Principal/notional amount	**Forward contract rates**	**Maturity**
3 contracts to buy in total of US$11,000,000 (net settled)	US$1 to RMB6.2885 — 6.3300	Range from 15 January 2014 to 7 February 2014
4 contracts to sell in total of US$21,000,000 (gross settled)	US$1 to RMB6.2367 — 6.3120	Range from 14 January 2014 to 30 May 2014

The above financial instruments are measured at fair values based on a valuation conducted by Grant Sherman Appraisal Limited as at 31 December 2013 determined based on the difference between the market forward exchange rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

25. PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS AND BANK BALANCES AND CASH

(a) Pledged bank deposits

At 31 December 2013, pledged bank deposits with original maturity within one year carried interest at fixed rates ranging from 2.04% to 3.64% per annum. The bank deposits had been pledged to secure the Group's general banking facilities with maturity within one year and were therefore classified as current assets. The pledged bank deposits was released upon the settlement of relevant bank borrowings during the year.

(b) Structured bank deposits

At 31 December 2013, structured bank deposits carried interest at variable rates ranging from 4.3% to 5.53% per annum. Interest rates of these structured deposits vary depending on the movement of market interest rates at the maturity date and those features constitute embedded derivatives. The embedded derivatives are closely related to the host contract based on assessment of their risks and characteristics.

25. PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS AND BANK BALANCES AND CASH *(continued)*

(c) Bank balances

At 31 December 2014, bank balances carried interest at market rates ranging from 0.01% to 2.1% (2013: 0.01% to 2.5%) per annum.

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

	2014	2013
	HK$'000	*HK$'000*
RMB	**1,964**	2,562
US$	**17,446**	164,040
EURO	**1,119**	3,077
NTD	**187**	4,617
HKD	**611,862**	902
Others	**—**	29

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**24,252**	208,314
Accrued expenses	**10,597**	56,867
Other payables	**55,770**	47,534
	90,619	312,715

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**13,310**	72,344
31 to 90 days	**429**	106,903
Over 90 days	**10,513**	29,067
	24,252	208,314

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Bank loans	–	204,879
Analysed as:		
Secured	–	78,433
Unsecured	–	126,446
	–	204,879
The exposure of the Group's borrowings are as follows:		
Fixed-rate borrowings	–	78,433
Variable-rate borrowings	–	126,446
	–	204,879

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

	2014	2013
Fixed-rate borrowings	**N/A**	3.2% to 4.61% per annum
Variable-rate borrowings	**N/A**	London Interbank Offered Rate ("LIBOR") + 1% or Singapore Interbank Offered Rate ("SIBOR") + 1% per annum

The amounts are denominated in the functional currency of the relevant Group entity.

No bank borrowings were secured as at the end of reporting period since all bank borrowings were fully repaid during the year (2013: HK$78,433,000).

28. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors or related parties. The transactions during the year, are as follows:

(a) Transactions with related parties:

Name of party	Interested directors	Nature of transactions	2014 *HK$'000*	2013 *HK$'000*
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	**695**	637

(b) Transaction with a director and shareholder having significant influence on the Company:

Name of director	Nature of transactions	2014 *HK$'000*	2013 *HK$'000*
Mr. Huang Ying Yuan	Rental expenses paid by the Group to the director *(note ii)*	**135**	163

(c) Compensation of key management personnel

The remuneration of directors, who are the key management of the Group, during the year are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Short-term employee benefits	**5,912**	6,165

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the Company.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

The above related party transactions constitutes exempted connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules.

29. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2013	750,706,724	75,071
Exercise of share options	2,776,000	277
At 31 December 2013	753,482,724	75,348
Exercise of share options	7,194,000	720
At 31 December 2014	760,676,724	76,068

The shares issued during the year rank pari passu with the existing shares in all respects.

30. SHARE OPTIONS

2002 Scheme

The Company adopted a share option scheme, which was approved at the Company's annual general meeting held on 30 May 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible participants. According to the 2002 Scheme, the board of directors of the Company may offer to grant share options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contribution to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Any offer to grant share options should be accepted within 30 days from the date of offer. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

30. SHARE OPTIONS *(continued)*

2002 Scheme *(continued)*

The directors may at its absolute discretion determine the period during which a share option may be exercised, such period to expire not later than 10 years from the date of grant of the share option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date on which the share option is offered, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share.

On 18 January 2012, the Company granted share options to certain eligible employees (excluding directors) to subscribe for a total of 15,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.77 per share under the 2002 Scheme. These eligible employees have rights to exercise their respective share options at any time during the period from the date after the share options have been vested (i.e. 18 January 2013 for Batch I and 18 January 2014 for Batch II) to the expiry date (i.e. 17 January 2017 for both batches).

2012 Scheme

The 2002 Scheme was expired on 31 May 2012. The Company adopted a new share option scheme (the "2012 Scheme"), which was approved in the Company's annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

Except that no further options may be granted under the 2002 Scheme subsequent to its expiration, all the other provisions of the 2002 Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the 2002 Scheme and all such options will remain valid and exercisable in accordance with the provisions of the 2002 Scheme.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

30. SHARE OPTIONS *(continued)*

2012 Scheme *(continued)*

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company's shares on the date of grant, (ii) the average of the official closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

No option was granted under the 2012 Scheme during the year ended 31 December 2014 and 2013.

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

		Number of shares subject to share options						
	Date of grant	Outstanding at 1 January 2013	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2014
Employees	18 January 2012	13,692,000	(2,776,000)	(710,000)	10,206,000	(7,194,000)	(2,818,000)	194,000
Exercisable at the end of the year		–			3,715,000			194,000
Weighted average exercise price		0.77			0.77			0.77

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$
18 January 2012 (Batch I)	12 months	18 January 2013 — 17 January 2017	0.77
18 January 2012 (Batch II)	24 months	18 January 2014 — 17 January 2017	0.77

30. SHARE OPTIONS *(continued)*

The estimated fair values of the options granted on the following date were:

	HK$
18 January 2012 (Batch I)	0.12
18 January 2012 (Batch II)	0.11

In respect of the share options exercised for the year ended 31 December 2014, the weighted average share price at the dates of exercise was HK$1.09 (2013: HK$0.91).

In respect of the share options granted on 18 January 2012, the fair values were calculated using the Black-Scholes option pricing model (the "Black-Scholes Model"). The inputs into the model were as follows:

	2012	
	(Batch I)	**(Batch II)**
Number of options granted	7,500,000	7,500,000
Weighted average share price	HK$0.81	HK$0.81
Exercise price	HK$0.77	HK$0.77
Expected volatility	48.26%	47.60%
Expected life	3 years	3.5 years
Risk-free rate	0.38%	0.48%
Expected dividend yield	11.69%	11.69%

Expected volatility was determined by using the historical volatility of the Company's share price over past 3 years up to valuation date.

The Black-Scholes Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised HK$18,000 for the year ended 31 December 2014 (2013: HK$414,000) share-based payment expenses (included in administrative expenses) in relation to share options granted by the Company.

On 12 February 2015, the Company granted share options to certain employees and consultants of the Company to subscribe for a total of 75,000,000 shares in the Company at an exercise price of HK$0.592 per share under the 2012 Scheme.

The eligible grantees have rights to exercise their respective share options at any time during the period from the date the share options become vested (i.e 12 February 2015) to the expiry date (i.e 11 February 2017). The directors of the Company are in the process of assessing the impact of the grant of share options on the results and financial position of the Group.

31. DISPOSAL OF SUBSIDIARIES

As mentioned in note 9, the Group entered into a conditional S&P Agreement with the Buyer in respect of the Disposal on 16 June 2014, by which control and benefits relating to the Disposed Subsidiaries have been transferred to the Buyer on 31 October 2014.

In accordance with the S&P Agreement, the consideration of HK$930,000,000 (the "Consideration") is subject to adjustments based on any difference between (1) the reference net assets value (the "Reference NAV") of HK$840,000,000 as stated in the S&P Agreement and (2) the net asset value of the Disposed Subsidiaries as of the Disposal Date adjusted for certain items as specifically stated in the S&P Agreement (the "Actual NAV") as determined pursuant to the accounting policies as agreed under the S&P Agreement in the completion accounts. As at 31 December 2014, cash consideration of HK$852,446,000 has been received by the Group and the remaining consideration of HK$77,554,000 has been kept in an escrow account on behalf of the Group and the Buyer in accordance with the S&P agreement which will be released to the Group at the following date, which is the later of (i) 30 April 2015 and (ii) the date when all claims initiated against the Group in the capacity as the Seller prior to 30 April 2015 have been resolved or withdrawn.

In accordance with the S&P Agreement, if the Actual NAV is greater than the Reference NAV, the Buyer will pay the Group the difference. However, if the Actual NAV is lower than the Reference NAV, the Group will pay the Buyer the difference.

The Buyer has requested a significant downward adjustment to the Consideration of HK$307,426,000 (the "Adjustment") based on the draft completion accounts prepared by the Buyer, whereas the Company considered that an upward adjustment of HK$82,056,000 has to be made to the Consideration. Out of the Consideration, consideration of HK$622,574,000 is not in dispute between the Group and the Buyer. The Group's entitlement to the remaining consideration of HK$307,426,000 is still subject to possible adjustments to the Actual NAV pending the finalisation of the completion accounts of the Disposed Subsidiaries and a report by an independent accountant regarding what appropriate adjustments shall be made to the Actual NAV (an independent accountant may be appointed when the Group and the Buyer cannot reach agreements on what the Actual NAV is in accordance with the S&P Agreement). Up to the date of approval of these consolidated financial statements the abovementioned uncertainty has not yet been resolved, nor has an independent accountant been appointed. The adjustment will eventually affect the gain or loss on Disposal to be recognised in the profit or loss.

For the above reasons, consideration in dispute of HK$307,426,000 has been recognised as deferred consideration and included in the Group's current liabilities as at 31 December 2014 which will be released to the profit or loss when the abovementioned uncertainty has been reasonably resolved. An amount of HK$77,554,000 which is kept in the escrow account on behalf of the Group and the Buyer, is recognised as "other receivable" separately presented in the Group's consolidated statement of financial position as at 31 December 2014.

31. DISPOSAL OF SUBSIDIARIES *(continued)*

	HK$'000
Adjusted Consideration	
Cash consideration received in 2014	852,446
Cash kept in an escrow account received on behalf of the Group and the Buyer	77,554
Total consideration received by the Group	930,000
Less: deferred consideration	(307,426)
Consideration that is not in dispute between the Group and the Buyer	622,574

The net assets of Disposed Subsidiaries on the Disposal Date were as follows:

	HK$'000
Property, plant and equipment	503,539
Prepaid lease payments	95,230
Intellectual property rights	128
Deposits paid for lease premium of land	1,083
Inventories	244,422
Amounts due from the Group	32,855
Trade and other receivables	229,675
Bank balances and cash	37,782
Trade and other payables and accruals	(223,331)
Taxation payable	(5,946)
Deferred tax liabilities	(63,510)
Net assets disposed of	851,927
Estimated loss on disposal of Disposed Subsidiaries	
Consideration that is not in dispute between the Group and the Buyer	622,574
Net assets disposed of	(851,927)
Release of cumulative translation reserve upon Disposal	155,911
Estimated professional fees and other expenses directly attributable to the Disposal	(12,747)
Estimated loss on Disposal before taxation	(86,189)
Estimated taxes related to the Disposal *(Note)*	(30,608)
Estimated loss on Disposal after taxation	(116,797)
Net cash inflow arising on disposal	
Cash consideration received	852,446
Less: cash and cash equivalent disposed of	(37,782)
	814,664

31. DISPOSAL OF SUBSIDIARIES *(continued)*

Note: Taxation consists of (i) PRC EIT of HK$25,000,000 estimated based on tax rate of 10% in relation to the transfer of equity interests in certain disposed subsidiaries established in the PRC and (ii) PRC EIT/land appreciation tax "LAT") of HK$5,608,000 estimated based on PRC EIT tax rate of 15%/LAT effective tax rate of 32% according to the progressive tax rate system in relation to the transfer of certain land and buildings located in the PRC back to a subsidiary of the Company.

The result relating to the Disposal for the current and prior periods are disclosed in note 9.

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt which includes bank borrowings disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, statutory surplus reserve fund, enterprise expansion fund, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues, as well as issue of new debts and repayment of existing debts.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 ***HK$'000***	2013 *HK$'000*
Financial assets		
At fair value through profit or loss	**5,321**	5,246
Loans and receivables (including cash and cash equivalents)	**917,266**	719,695
Available-for-sale financial assets	**–**	641
Financial liabilities		
At fair value through profit or loss	**–**	2,684
Amortised cost	**76,292**	455,709

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, trade and other receivables, derivative financial instruments, structured bank deposits, pledged bank deposits, bank balances, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include trade and other receivables, structured and pledged bank deposits and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's exposure to bad debts and concentration risk is minimal.

The Group has concentration of credit risk as 73% of the total trade receivables as at 31 December 2014 (2013: 48%) was due from the Group's five largest customers. Those five largest customers are reputable medical and infant products traders with long history of trading with the Group. Management perform periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on top five largest customers, the Group does not have any other significant concentration of credit risk.

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 0.3% (2013: 3%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, and approximately 13% (2013: 18%) of purchase costs are denominated in currencies other than the group entities' functional currency.

The functional currencies of the Group's principal subsidiaries are US$ and Renminbi ("RMB"). While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$, HK$ and EURO. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2014 HK$'000	2013 HK$'000
Monetary Assets		
RMB	**1,964**	—
US$	**14,821**	164,040
HK$	**637,778**	902
EURO	**1,119**	3,077
New Taiwan dollars ("NTD")	**187**	4,617
Monetary Liabilities		
US$	**—**	6,305
HK$	**1,105**	6,099
EURO	**—**	25,359
NTD	**—**	4,928

At the end of the reporting period, the Group had no foreign currency forward contracts (2013: US$32,000,000). Details are shown in note 24.

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of US$, RMB, NTD, HK$ and EURO.

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in US$ against the other foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the year end for a 5% change in foreign currency rates and forward exchange rate, respectively. A positive number below indicates an increase in profit where a 5% (2013: 5%) strengthening of US$ against other foreign currencies. For a 5% (2013: 5%) weakening of US$ against other foreign currencies, there would be an equal and opposite impact on the profit, and the balance below would be negative.

	RMB impact		**NTD impact**		**EURO impact**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Monetary assets and liabilities	**(98)**	–	**(9)**	16	**(56)**	1,114

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank deposits (see note 25 for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly attributable to fluctuation market interest rate of bank balances.

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2013: 10 basis points) increase or decrease for bank deposits is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

A 10 basis points (2013: 10 basis points) change in interest rate for bank deposits with all other variables held constant would not have a significant effect on the Group's results for both years.

The Company's held-for-trading investments is measured at fair values at the end of reporting period. Therefore, the Company is exposed to equity price risk in relation to this investment. Management manages this exposure by reviewing the market performance and market price of the investment regularly. In view of 5% higher/lower of the fair values change of the investment is not significant to the consolidated financial statements, therefore, sensitive analysis is not presented.

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

For derivative financial instruments settled on a net basis, undiscounted net cash flows are presented. Derivative financial assets in respect of foreign currency forward contracts are excluded from the following liquidity risk analysis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2014 *HK$'000*
2014						
Non-derivative financial liabilities						
Trade and other payables	–	75,077	1,019	196	76,292	76,292

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2013 *HK$'000*
2013						
Non-derivative financial liabilities						
Trade and other payables	–	107,792	125,429	17,609	250,830	250,830
Fixed-rate bank borrowings	3.2%	–	80,943	–	80,943	78,433
Variable-rate bank borrowings	1.48%	128,318	–	–	128,318	126,446
		236,110	206,372	17,609	460,091	455,709
Derivative financial liabilities – net settled						
Foreign currency forward contracts						
– outflow		1,952	732	–	2,684	2,684

33. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with discounted cash flow analysis.

Foreign currency forward contracts are using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Fair value measurement of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable.

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

Financial assets/financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	31 December 2014	31 December 2013		
Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets — nil**	Assets — HK$5,246,000; (Gross settled)	Level 2	Discounted cash flow.
	Liabilities — nil	Liabilities — HK$2,684,000 (net settled)		Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted using an appropriate discount rate to take account of the time value of money.
Held-for-trading investments	**HK$5,321,000**	—	Level 1	Quoted bid prices in an active market.

There were no transfers between Levels 1 and 2 in the current and prior years.

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

34. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessee

	2014	2013
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year	**4,007**	9,566

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**9**	2,456
In the second to fifth year inclusive	**–**	3,145
	9	5,601

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of two (2013: five) years and rentals are fixed for an average of two (2013: five) years.

The Group as lessor

Property rental income earned during the year was HK$476,000 (2013: HK$431,000). Leases are negotiated for an average term of three years and fixed for an average of three years.

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,839**	44
In the second to fifth year inclusive	**3,785**	–
	6,624	44

35. CAPITAL COMMITMENTS

	2014 HK$'000	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of — property, plant and equipment	—	20,771

36. RETIREMENT BENEFIT SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2014 and 2013 are as follows:

	Notes	2014 HK$'000	2013 HK$'000
Total assets			
Investment in subsidiaries		253,971	253,971
Other receivables		275	242
Amount due from subsidiaries	*(a)*	628,202	439,557
Bank balances		7,812	1,541
		890,260	695,311
Total liabilities			
Other payables		91,202	1,193
Amounts due to subsidiaries	*(a)*	358,972	257,190
		450,174	258,383
		440,086	436,928
Capital and reserves			
Share capital		76,068	75,348
Reserves	*(b)*	364,018	361,580
		440,086	436,928

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount(s) due from (to) subsidiaries

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

(b) Reserves

	Share premium	Contributed surplus	Share option reserve	Capital redemption reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	108,431	244,461	1,127	1,270	2,083	357,372
Profit for the year and total recognised income for the year	–	–	–	–	28,291	28,291
Exercise of share options	2,183	–	(323)	–	–	1,860
Recognition of equity settled share-based payments	–	–	414	–	–	414
Share options lapsed during the year	–	–	(67)	–	67	–
Dividends recognised as distributions *(note 13)*	–	–	–	–	(26,357)	(26,357)
At 31 December 2013	**110,614**	**244,461**	**1,151**	**1,270**	**4,084**	**361,580**
Profit for the year and total recognised income for the year	**–**	**–**	**–**	**–**	**225,804**	**225,804**
Exercise of share options	**5,642**	**–**	**(823)**	**–**	**–**	**4,819**
Recognition of equity settled share-based payments	**–**	**–**	**18**	**–**	**–**	**18**
Share options lapsed during the year	**–**	**–**	**(326)**	**–**	**326**	**–**
Dividends recognised as distributions *(note 13)*	**–**	**–**	**–**	**–**	**(228,203)**	**(228,203)**
At 31 December 2014	**116,256**	**244,461**	**20**	**1,270**	**2,011**	**364,018**

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities (note i)
			Directly		Indirectly		
			2014 %	2013 %	**2014** %	2013 %	
Lerado China Limited *(note ii)*	BVI	HK$5,000 ordinary shares	**–**	–	**–**	100	Investment holding and trading of infant products in Taiwan
Lerado Group Limited	BVI	HK$10,702 ordinary shares	**100**	100	**–**	–	Investment holding
Lerado Global (Macao Commercial Offshore) Limited *(note ii)*	Macau	MOP100,000	**–**	–	**–**	100	Trading of infant products
Lerado H.K. Limited	Hong Kong	HK$5,000 ordinary shares	**–**	–	**100**	100	Trading of infant products
Link Treasure Limited *(note ii)*	BVI	US$5,000 ordinary shares	**–**	–	**–**	100	Provision of research and development services in Taiwan
中山市隆成日用製品有限公司 *(note ii)*	the PRC	US$46,940,000 registered capital	**–**	–	**–**	100	Manufacture and trading of infant products
中山市國宏塑膠製品有限公司 *(note ii)*	the PRC	US$3,150,000 registered capital	**–**	–	**–**	100	Manufacture and trading of stroller wheels
小天使嬰童用品（中山）有限公司 *(note ii)*	the PRC	US$2,400,000 registered capital	**–**	–	**–**	100	Manufacture and trading of infant products
上海隆成日用製品有限公司	the PRC	US$6,260,000 registered capital	**–**	–	**100**	100	Manufacture and trading of nursery products

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities *(note i)*
			Directly		Indirectly		
			2014 %	2013 %	**2014** %	2013 %	
黃石市隆成日用製品有限公司 *(note ii)*	the PRC	US$20,000,000 registered capital	**–**	–	**–**	100	Manufacturing and trading of infant products
陽江市隆成日用製品有限公司 *(note ii)*	the PRC	US$1,000,000 registered capital	**–**	–	**–**	100	Manufacturing and trading of infant products
上海隆成嬰童用品有公司 *(note ii)*	the PRC	US$13,000,000 registered capital	**–**	–	**–**	100	Retail sale and wholesale of infant products
金和信股份有限公司 *(note ii)*	Taiwan	NTD205,000,000 ordinary shares	**–**	–	**–**	100	Provision of purchasing services and trading of infant products
中山隆成啟航商貿有限公司	the PRC	US$6,420,000 registered capital	**–**	–	**100**	100	Manufacturing and trading of medical products

Notes:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment except as otherwise stated under principal activities above.

(ii) These subsidiaries ceased to be subsidiaries of the Company upon the disposal of its entire equity interest during the year, details of which are set out in note 31.

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

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

39. CONTINGENT LIABILITIES

At the end of the reporting period, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. As detailed in note 9, the Company entered into the S&P Agreement pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

(i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US$2,222,000 (equivalents to HK$17,333,000). The next trial date has not been set for the case. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these consolidated financial statements.

(ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. A trial date has not been set. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed financial statements.

40. EVENT AFTER THE REPORTING PERIOD

On 23 February 2015, a wholly-owned subsidiary of the Company, Red Honour Holdings Limited ("Red Honour"), entered into a sale and purchase agreement with the vendors, independent third parties of the Group, pursuant to which the vendors conditionally agreed to sell, and Red Honour conditionally agreed to buy the entire issued share capital of a target company (the "Target") at a consideration of HK$1,600,000 plus the net asset value of the Target on the completion date provided that the consideration payable shall not exceed HK$21,800,000 (the "Acquisition"). The Target is principally engaged in securities brokerage business and intends to engage in margin financing business once the Acquisition is completed.

The Acquisition has not been completed at the date of approval of these consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	122,045	122,151	149,421	147,576	**154,676**
PROFIT (LOSS) BEFORE TAXATION	11,172	1,772	19,480	(25,606)	**(17,307)**
INCOME TAX EXPENSE	(1,932)	(777)	(3,685)	(593)	**(373)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	9,240	995	15,795	(26,199)	**(17,680)**
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION	95,737	26,431	25,073	6,370	**(128,316)**
PROFIT (LOSS) FOR THE YEAR	104,977	27,426	40,868	(19,829)	**(145,996)**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	104,922	27,426	40,868	(19,829)	**(145,996)**
NON-CONTROLLING INTERESTS	55	—	—	—	**—**
	104,977	27,426	40,868	(19,829)	**(145,996)**

ASSETS AND LIABILITIES

	At 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,535,283	1,722,121	1,791,616	1,739,949	**1,071,816**
TOTAL LIABILITIES	(489,609)	(640,893)	(689,064)	(601,090)	**(438,950)**
	1,045,674	1,081,228	1,102,552	1,138,859	**632,866**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,045,674	1,081,228	1,102,552	1,138,859	**632,866**
NON-CONTROLLING INTERESTS	—	—	—	—	**—**
	1,045,674	1,081,228	1,102,552	1,138,859	**632,866**

Note: The financial information for each of the four years ended 31 December 2013 has been restated for the operation discontinued in 2014.