TOPSEARCH

Topsearch International (Holdings) Limited
至 卓 國 際 （ 控 股 ） 有 限 公 司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 2323)

2014 Annual Report

For identification purposes only

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Corporate Information and Financial Calendar

EXECUTIVE DIRECTOR
Mr. Cheok Ho Fung *(Chairman and Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Mr. Tang Yok Lam, Andy
The late Mr. Ng Kwok Ying, Alvin (deceased on 13 October 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

COMPANY SECRETARY
Mr. Fong Ching Kong, Tony

AUDITOR
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISOR
PHILLIPS SOLICITORS
3506, Tower 1, Lippo Centre
89 Queensway, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Management (Bermuda) Ltd.
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
3406 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Shaoguan Subbranch
No. 6 Guangxiao Road
Shaoguan, Guangdong
The People's Republic of China

Industrial and Commercial Bank of China Shaoguan Branch
No. 2 Jiangguo Road
Shaoguan
The People's Republic of China

FINANCIAL CALENDAR
Half year results
Announced on 18 August 2014

Full year results
Announced on 24 March 2015

REGISTER OF MEMBERS
To be closed from 3 June 2015 (Wednesday) to 5 June 2015 (Friday)

ANNUAL GENERAL MEETING
To be held on 5 June 2015 (Friday)

DIVIDENDS
Interim	:	Nil
Final	:	Nil

COMPANY WEBSITE
www.topsearch.com.hk

Business Profile

Topsearch International (Holdings) Limited ("Topsearch" or "Company") and its subsidiaries ("Group") are principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCBs"). The Group has a global customer base comprising principally Electronics Manufacturing Services ("EMS") companies and Original Equipment Manufacturer ("OEM") which are engaged in the production of a diverse range of products for personal computers ("PC") and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

Chairman's Statement

FINANCIAL PERFORMANCE

The trend in reducing world-wide demand for personal computers led to reduction in the demand for their ancillary parts and equipment including Hard Disk Drives, which had been the Group's major products supplied to our customers, leading to a substantial reduction of our revenue for the year ended 31 December 2014. Therefore, the Group had just been able to achieve sales turnover of about HK$610 million for the year ended 31 December 2014, representing a decrease of approximately 15% as compared to the same of last year. Operating loss before interest and tax was approximately HK$148 million during the year of 2014, as compared to operating loss before interest and tax of approximately HK$71 million in 2013. Loss attributable to shareholders amounted to approximately HK$167 million, as compared to loss attributable to shareholders of approximately HK$94 million in 2013. Basic loss per share was 16.19 Hong Kong cents, as compared to loss per share of 9.04 Hong Kong cents in 2013.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCB") during the year of 2014.

The Group's sales turnover had been further decreased by approximately 15% from about HK$720 million in 2013 to about HK$610 million in 2014. The Group's gross profit had been decreased from about HK$99.0 million in 2013 to about HK$10.0 million in 2014 with the gross profit margin decreased from approximately 13.7% in 2013 to approximately 1.6% in 2014.

The Group's reduced sales turnover was primarily caused by the reduced production capacity during the learning curve when the Group's new products (regarding different household names in the Automotive and Domestic Appliances application) were introduced and conducted throughout the year of 2014.

Reference is made to the announcements dated 21 January 2015 and 9 February 2015 respectively (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements) regarding major disposal in relation to proposed disposal of 30% equity interest of Topsearch Printed Circuits (Shenzhen) Ltd. ("Disposal Company"), an associate of the Group and supplemental agreements concerning the asset separation arrangement and amendment of payment manner.

On 8 January 2015 (after trading hours), Topsearch HK, an indirect wholly owned subsidiary of the Company, Shanghai Yuxing and Huatuo entered into the Equity Transfer Agreement pursuant to which Huatuo has conditionally agreed to acquire and Topsearch HK has conditionally agreed to sell 30% equity interest in Disposal Company at a cash consideration of RMB170,234,720 (equivalent to approximately HK$212,793,400) subject to the Asset Separation Arrangement pursuant to the Supplemental Agreement ("Disposal").

Topsearch HK, Shanghai Yuxing and Huatuo had further entered into a Supplemental Agreement on 8 January 2015 for a proposed subsequent Asset Separation Arrangement, draft agreement and fund transfer arrangement concerning the equity transfer of 30% equity interest of 深圳市飛高至卓實業有限公司 ("Topsearch Sky"), a direct wholly owned subsidiary of the Disposal Company, from Huatuo to Topsearch HK or its associate, at a Nominal Consideration of RMB63,000,000 (equivalent to approximately HK$78,750,000), as part of the Disposal.

On 2 February 2015 (after trading hours), Topsearch HK, Shanghai Yuxing, Huatuo, and Gu Jing, as guarantor entered into a second supplemental agreement to the Equity Transfer Agreement, pursuant to which the parties thereof agreed to amend certain terms in respect of the payment manner of the Disposal Consideration with details set out in the announcement dated 9 February 2015.

The estimated gain on the Disposal of the Disposal Company was approximately HK$155,200,000, calculated based on the Disposal Consideration (approximately HK$212,793,400) plus the valuation attributable to 30% equity interest of Topsearch Sky (approximately HK$78,750,000) less the latest carrying value of the investment in the Disposal Company per the Group's audited consolidated statement of financial position as at 31 December 2014 (HK$109,403,000), and the related latest estimated outgoings and taxation of approximately HK$26,940,000, which will be recognised as to the consolidated financial statements of the Group on the Disposal.

Upon completion of the Disposal, the Company will not hold any interest in the Disposal Company, which will cease to be an associate of the Company and its financial results will no longer be consolidated into the financial statements of the Group. However, the Company will still hold 30% equity interest in Topsearch Sky (after completion of the Disposal) which will then be an associate of the Company.

After deducting professional fees in connection with the Disposal and the restructuring, it is estimated that the net proceeds from the Disposal calculated based on the Consideration would be approximately HK$185,900,000 ("Net Proceeds"). The Company intends to use the Net Proceeds from the Disposal for reducing the borrowings of the Group and as funding for general working capital purpose. As at the date of this report, the Company does not have any specific investment plan which requires the use of the Net Proceeds from the Disposal.

The directors of the Company believe that the proposed Disposal represents a good opportunity for the Company to realise the value of the Disposal Company. The Group will receive Net Proceeds of approximately HK$185,900,000 and a Gain of approximately HK$155,200,000 subject to the completion of the Disposal. In addition, upon the completion of the Disposal, the Group will be able to reduce its overall bank borrowings and its net current liability position will improve significantly.

Furthermore, reference is also made to the announcements of the Company dated 31 December 2010, 4 January 2012, 23 August 2012 and 31 December 2013 respectively (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements).

On 21 March 2012, the Supervisor (Tongliao Economic Technology Development Regional Management Committee) issued a letter of commitment to the Vendor (Topsearch Printed Circuits (Tongliao) Limited), pursuant to which the Supervisor had committed to provide RMB31 million to the Purchaser (Tongliao Xutong Solar Technology Company Limited) for the settlement of the Remaining Balance in three installments before the end of year 2012. Subsequently, on 26 April 2012, the Vendor entered into the Chinese Supplement Agreement with both the Purchaser and the Supervisor. Though a further sum of RMB10 million had been received from the Supervisor after the signing of the afore-mentioned Chinese Supplement Agreement, the Remaining Balance amounting to RMB21 million had not yet been settled by the Purchaser as per what the Supervisor had committed and was still outstanding as at 31 December 2013.

During the first quarter of the year 2015 and prior to the publication of this report, the management of the Company had not received any indication from either party that the original Property Assignment Agreement signed on 31 December 2010 should be terminated or revoked. In the meantime, the Company does not have the intention of terminating the abovesaid transaction and forfeiting the deposit of RMB5 million as provided under the Property Assignment Agreement should the Purchaser fail to pay the Remaining Balance according to the stipulated time frame. The Company still has confidence that the completion of this property disposal in respect of the abovesaid transaction can be accomplished eventually though a fixed deadline is still not available. Further announcement will be made for any results of the said negotiation with both the Supervisor and the Purchaser or further progress on the transaction.

To improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure especially after the completed relocation of production facilities from Shenzhen to Shaoguan.

Same as previous years, a controlling shareholder of the Company has continued to maintain a total advance of approximately HK$96 million to the Group for the year ended 31 December 2014 and would promise to continue providing additional financial support throughout the whole year of 2015 for financing the working capital of the Group when needed.

Chairman's Statement

PROSPECTS

In view of a restructure of procurement policy from one of its major customers due to the negative growth in the Hard Disk Drives (HDD) market during the year, the Group has suffered a substantial set-back in its revenue and has not been able to fully recover such loss because business from its new customers demands very different specifications and quality requirement. Although tremendous efforts have been put in to catch up such discrepancies, to the disappointment of the Management such learning curve still requires much more time to complete. The failure to accomplish such in 2014 has caused a tremendous reduction in our Gross Profit due to the loss of production capacity, increase in labour costs due to inefficiency and increase in materials costs due to higher scraps has been encountered.

The management team has since been re-grouped and new methods are being deployed to overcome such difficulty. Without any unforeseen circumstance, the chance of completing this learning curve within this fiscal year would be possible and revenue of the Group should be recovered.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 24 March 2015

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company are of the opinion that during the year 2014, the Company has properly operated in accordance with the "Corporate Governance Code and Corporate Governance Report" ("CG Code") which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with the code provisions and some of the recommended best practices of the CG Code for the period from 1 January 2014 to 31 December 2014 except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the Company's shareholders' value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;

2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and

3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

COMPLIANCE WITH CG CODE

The Directors confirm that, for the financial year ended 31 December 2014, the Company has complied with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules save for the deviation mentioned below:

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from the provision of A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership of the management for the Group and enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted its own code of conduct ("Own Code") regarding securities transactions by Directors on 7 April 2005 and was revised by the Directors on 10 September 2009, 26 March 2013 and 18 August 2014 respectively on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the year 2014. Members of the Company's management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

The updated Own Code has been uploaded on the website of the Company.

THE BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board consists of five Directors, with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance and investment professions. Their brief biographical particulars are set out on pages 50 to 56 of this annual report. List of Directors and Their Role and Function which sets out the members and composition of the Board has been uploaded on the Stock Exchange's website and the Company's website.

Members of the Board and their respective attendance to Board meetings and general meetings held during the year ended 31 December 2014 are as follows:

Name of Directors	**Number of attendance at Board meetings**	**Number of attendance at general meetings**
Executive Director		
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	5/5	1/1
Non-executive Directors		
Mr. Tang Yok Lam, Andy	5/5	0/1
The late Mr. Ng Kwok Ying, Alvin (deceased on 13 October 2014)	3/5	1/1
Independent Non-executive Directors		
Mr. Leung Shu Kin, Alfred	3/5	0/1
Mr. Wong Wing Kee	5/5	1/1
Mr. Ng Kee Sin	5/5	1/1

The number of Board meetings held during the year ended 31 December 2014 was five.

The number of general meetings held during the year ended 31 December 2014 was one.

The Company has maintained the minimum requirements of the Listing Rules as to the number of Independent Non-executive Directors as three and, one of whom has accounting and related financial management expertise. They have dedicated to provide the Company with professional advice with respect to the steady operation and development of the Company. They also exercised supervision and coordination to safeguard interests of the Company and its shareholders. The existing Independent Non-executive Directors represent at least one-third of the Board.

Each Independent Non-executive Director has provided an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such annual confirmation received from each of the Independent Non-executive Directors, the Company considers that all Independent Non-executive Directors are still considered to be independent for the purpose of Rule 3.13 of the Listing Rules.

Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company. Mr. Leung was and is still considered to be independent by the Company because his business dealings with the Group was considered not to be material.

There is no relationship (including financial, business, family or other material/relevant relationship(s)), between members of the Board and in particular, between the Chairman and the Chief Executive Officer save as disclosed below:

1. Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. The role of the Chairman and Chief Executive Officer are not segregated and are exercised by the same individual. The reason had been explained under the section headed "Compliance with CG Code" in this annual report. Mr. Cheok Ho Fung is the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company and directors of various subsidiaries of the Company;

2. Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company as mentioned above;

3. The late Mr. Ng Kwok Ying, Alvin, a Non-executive Director, who was a senior partner of Ng and Partners, Solicitors and had business relationship with the Company. Mr. Ng deceased on 13 October 2014. The Board considers that the Group's business dealings with Ng and Partners, solicitors was not material.

All existing Non-executive Directors have signed letters of appointment with the Company for a term of not more than three years, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company and the requirements of the Listing Rules.

The remuneration of Non-executive Directors will be reviewed by the Remuneration Committee of the Company and will be fixed from time to time by the Board subject to the authority granted pursuant to the Company's Bye-laws by the shareholders at the Company's general meetings.

THE OPERATION OF THE BOARD

The Board's main task is to supervise and direct the management of the Company to operate under good corporate governance in order to maximise value of the Company's shareholders while balancing the interest of its various stakeholders. The Board holds meetings at around quarterly interval to monitor the performance of the Company as against the budget and to be briefed with market developments, to discuss and decide on major corporate, strategic and operational issues, and to appraise any good investment opportunities available.

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;

2. setting the objectives of the Company and responsibilities of the Board and its various committees;

3. establishing the strategic direction for the Company;

4. setting targets for the management of the Group;

5. monitoring the performance of the management of the Group;

6. supervising the annual and interim results of the Group;

7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

8. overseeing the management of the Company's relationships with its shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;

10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and

11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

The Board is also responsible for the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations on any amendment or updating (if any);

2. to review and monitor the training and continuous professional development of Directors and the Company's senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors;

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under the CG Code; and

6. to be responsible for performing any other corporate governance duties and functions set out in the CG Code and the Listing Rules (as amended from time to time), or delegating the responsibility to a committee or committees (if applicable).

During the year of 2014, the Company had reviewed its corporate governance policy by the Board in achieving high standards of corporate governance duties. The Board will further develop and review this policy regularly and at least annually so as to make recommendations on any amendment or updating (if any).

During the year of 2014, the Board had delegated its authority to the Nomination Committee to review its board diversity policy for the Company and the terms of reference of the Nomination Committee. The Board (via the reporting from the Nomination Committee) had reviewed and considered the measurable objectives that it has set for implementing the Company's board diversity policy during the year of 2014 and would, together with its Nomination Committee, regularly review the progress on achieving those objectives.

The Board delegates to the management of the Company in respect of the major corporate matters as stated below:

1. preparation of the annual and interim results of the Group to be approved by the Board;

2. execution of the corporate strategies and directions of the Group adopted by the Board;

3. implementation of sufficient systems of internal controls and risk management procedures of the Group; and

4. carrying out daily business operations and decision-making regarding the daily ordinary business of the Company, etc.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established various Board Committees to oversee particular aspects of the Company's affairs. The Board Committees are governed by their respective terms of reference, which describe the authority and duties of the Board Committees and will be regularly reviewed and updated by the Board. The Board Committees include Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee whose terms of reference had been set out in writing respectively.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") is composed of three Independent Non-executive Directors and a Non-executive Director during the year of 2014.

It is with regret to report that, Mr. Ng Kwok Ying, Alvin, our Non-executive Director and member of Audit Committee, passed away on 13 October 2014. The Board expresses its deepest sorrow for the decease of Mr. Alvin Ng and had conveyed its condolence to his family and had appreciated Mr. Ng's invaluable contribution to the Group in the past years. Mr. Ng will be fondly remembered by us.

The chairman of the Audit Committee is an Independent Non-executive Director who has the appropriate professional qualifications and experience in accounting or related financial management expertise as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows and in accordance with its existing terms of reference being adopted by the Board:

1. reviewing and monitoring the integrity of the interim and annual results and financial statements of the Company and of the Group and reviewing significant financial reporting judgements;

2. reviewing and monitoring the reporting, accounting and financial policies and practices of the Company;

3. reviewing and primarily responsible for making recommendation to the Board on the appointment, re-appointment, retirement, resignation or removal of the Company's external auditor and reviewing their remuneration and terms of engagement, discussing their audit plan and scope of audit, and monitoring the external auditor's independence, objectivity and effectiveness of the audit process up to applicable standard, and also reporting the issues raised by the external auditor, including but not limited to those stated in their management letter addressed to the Board, implementing policy on engaging external auditor to supply non-audit services;

4. reviewing the fairness and reasonableness of connected transaction(s) or continuing connected transaction(s) of the Company, if any;

5. ensuring full access by the respective responsible teams of the Group under corporate governance function of any concerns that may have arisen during the course of their corporate governance works;

6. conducting annual review of the effectiveness of the Group's internal control and risk management systems as delegated by the Board and considering any findings of major investigation of its internal control matters; and ensuring the Group's management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff from the Group;

7. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

8. to act as the key representative body for overseeing the Company's relations with the external auditor; and

9. to recommend the establishment of a whistleblowing policy and system for employees which has been adopted by the Board on 27 March 2012 to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

As at the date of the publication of this annual report, the members of the Audit Committee are Mr. Ng Kee Sin (Chairman) (Independent Non-executive Director), Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) and Mr. Wong Wing Kee (Independent Non-executive Director). All members are Independent Non-executive Directors.

During the year ended 31 December 2014, five Audit Committee meetings were held (whereas three of which had been held with the attendance of the Company's external auditor) to review the financial results and reports for the year ended 31 December 2013 and for the six months ended 30 June 2014, the budget for the year of 2015, risk management and internal control processes, related party transactions, continuing connected transactions and discloseable transactions (if any), roles and responsibilities as well as works performed by the teams under corporate governance function, and the re-election of the Company's external auditor.

The Audit Committee has reviewed the consolidated annual results and financial statements of the Group for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group.

This annual report has been reviewed by the Audit Committee.

The attendance record of each member of the Audit Committee at its meeting is set out below:

Members of Audit Committee	**Attendance**
Mr. Ng Kee Sin *(Chairman) (Independent Non-executive Director)*	5/5
The late Mr. Ng Kwok Ying, Alvin *(Member) (Non-executive Director)*	4/5
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	4/5
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	5/5

Auditor's Remuneration

The Audit Committee of the Company is responsible for considering the appointment and re-election of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the year under review, the Group is required to pay to the external auditor, BDO Limited, the following fees:

Type of services provided by the external auditor	**Fee paid/payable** *(HK$'000)*
Audit services:	
Audit of the annual financial statements for the year ended 31 December 2014	870
Non-audit services:	
Review of continuing connected transaction(s)	10
Agreed-upon procedures on preliminary announcement of results	20
Agreed-upon procedures on interim financial statements for the six months ended 30 June 2014	30
	930

REMUNERATION COMMITTEE

The Company's Remuneration Committee performs the following roles and functions in accordance with its terms of reference and its written remuneration policy adopted by the Board:

1. ensuring formal and transparent procedures for overseeing, developing and determining policies on the remuneration packages of Directors and the Company's senior management;

2. assessing the achievement and performance and reviewing the performance-based remuneration of Executive Directors and the Company's senior management by reference to the Company's corporate goals;

3. approving the terms of Executive Directors' service agreements or letters of appointment (as appropriate);

4. providing effective supervision and administration of the Company's share option schemes and other share incentive schemes (if available); and

5. determining with delegated responsibility on the remuneration packages of individual Executive Directors and the Company's senior management or recommending to the Board on Executive Director's and the Company's senior management's remuneration packages, and reviewing the remuneration of Non-executive Directors.

During the year of 2014, the Company has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Director and the Company's senior management.

During the year ended 31 December 2014, one Remuneration Committee meeting was held to discuss and review the remuneration packages and bonus (if any) of Executive Director and other Directors and the terms of their service agreement and letters of appointment, and the remuneration policy for the Company and the Group (with reference to its terms of reference and Listing Rules).

As at the date hereof, the Remuneration Committee comprises three members, namely Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) (Chairman), Mr. Tang Yok Lam, Andy (Non-executive Director) and Mr. Wong Wing Kee (Independent Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

The attendance record of each member of the Remuneration Committee at its meeting is set out below:

Members of Remuneration Committee	Attendance
Mr. Leung Shu Kin, Alfred *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	1/1

NOMINATION COMMITTEE

The Company's Nomination Committee performs the following roles and functions in accordance with its nomination procedures and criteria as follows and in accordance with its terms of reference and its written nomination policy adopted by the Board:

1. determining the policy for the nomination of Directors during the year;

2. adopting the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year by considering the candidates' past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the Company's Bye-laws so as to make the composition of the Board filled with a variety and a balance of skills and experience;

3. reviewing regularly the roles of Directors by considering the issues of conflict of interest, their performance and conduct;

4. assessing the independence of Independent Non-executive Directors; and

5. reviewing regularly the nomination policy and board diversity policy of the Company to ensure the effectiveness of these policies and to review any progress on achieving those objectives in these policies.

The board diversity policy of the Company is set out below:

1. Purpose

1.1 The board diversity policy ("**Policy**") sets out the approach to diversity on the board of directors of the Company ("**Board**").

2. Scope of Application

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

2.2 The Policy applies to the Board and does not apply to diversity in relation to employees of the Company and its subsidiaries ("**Group**").

3. Policy Statement

3.1 In designing the Board's composition, the Company recognises and embraces the benefits of diversity in Board members.

3.2 Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, regional and industry experience, professional experience, skills, knowledge and length of service.

3.3 The Nomination Committee of the Company ("**Nomination Committee**") reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company ("**Directors**"). All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of the Board's diversity.

4. Measurable Objectives

4.1 The Nomination Committee will discuss and agree annually all measurable objectives for implementing the Policy and achieving the Board's diversity and recommend them to the Board for adoption.

4.2 Selection of candidates for Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, regional and industry experience, professional experience, skills, knowledge and length of service, as well as the criterion set out in the Company's nomination policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4.3 The Board's composition (including gender, ethnicity, age, length of service, educational background, professional experience, skills and knowledge) will be disclosed in the Company's corporate governance report ("**CG Report**") annually in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

5. Monitoring and Reporting

5.1 The Nomination Committee will report annually, in the CG Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Policy.

6. Review of the Policy

6.1 The Nomination Committee will review the Policy regularly, as appropriate, to ensure the effectiveness of the Policy and to review any progress on achieving those objectives in the Policy.

6.2 The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2014, the Nomination Committee had met once and discussed and reviewed (i) the retiring Directors to be re-elected at the 2014 annual general meeting of the Company; (ii) the independence of the Independent Non-executive Directors; (iii) the terms of appointment of Directors; (iv) the structure, size and composition (including the skills, knowledge and experience) of the Board; (v) the role, performance and conduct of the existing Directors (including but not limited to the issues on any conflict of interest); (vi) any nomination of potential candidate in place of the resigned Director(s) to the Board; and (vii) the nomination policy and board diversity policy (including its measurable objectives and progress on achieving those objectives) of the Company (with reference to its terms of reference and Listing Rules).

As at the date hereof, the members of the Nomination Committee are Mr. Wong Wing Kee (Independent Non-executive Director) (Chairman), Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) and Mr. Tang Yok Lam, Andy (Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

The attendance record of each member of the Nomination Committee at its meeting is set out below:

Members of Nomination Committee	**Attendance**
Mr. Wong Wing Kee *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1

Under the CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company has provided that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

EXECUTIVE COMMITTEE

The Executive Committee of the Board operates with overall delegated authority from the Board. The Executive Committee carries out the following tasks for the purposes of dealing with the affairs relating to the day-to-day operations of the Group:

1. determining group strategy;
2. setting targets for the management;
3. reviewing business performance;
4. ensuring adequate funding; and
5. examining major investments.

As at the date hereof, the member of the Executive Committee is Mr. Cheok Ho Fung. The attendance record of each member of the Executive Committee at its meeting is set out below:

Member of the Executive Committee	**Attendance**
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	1/1

During the year ended 31 December 2014, one Executive Committee meeting was held to consider and approve the affairs regarding some daily transactions and business operations of the Group.

TRAINING AND SUPPORT FOR DIRECTORS

The Group provides briefings, reading materials and other training opportunities to develop and refresh the Directors' knowledge and skills so as to keep abreast of their collective responsibilities and to emphasis on the roles, functions and duties of a listed company director.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices, and to ensure that their contribution to the Board remains informed and relevant.

During the period from 1 January 2014 to 31 December 2014 as required by CG Code, the Directors had participated in the following trainings:

Name of Directors	Types of Training		
Executive Director			
Mr. Cheok Ho Fung *(Chairman of the Board, Chief Executive Officer)*	A	—	C
Non-executive Directors			
Mr. Tang Yok Lam, Andy	—	—	C
The late Mr. Ng Kwok Ying, Alvin	—	—	C
Independent Non-executive Directors			
Mr. Leung Shu Kin, Alfred	A	—	C
Mr. Wong Wing Kee	A	—	C
Mr. Ng Kee Sin	—	—	C

A : *attending seminars and/or conferences and/or forums (via different means)*

B : *giving talks at seminars and/or conferences and/or forums*

C : *self-reading on newspapers, journals and updates relating to the business of PCBs, updates on the Listing Rules or corporate governance matters, other relevant statutory requirements, director's duties and responsibilities etc.*

CORPORATE MANAGEMENT AND INTERNAL CONTROL

The Board established a Whistleblowing Policy on 27 March 2012 which deals with and governs properly and fairly concerns raised by the Company's employees about any suspected malpractice or misconduct regarding financial reporting, internal control or other matters within the Company and the Group. The Company's Audit Committee shall review regularly this Policy and ensure that arrangements are in place for independent and fair investigation of these matters and for appropriate following-up action.

The responsible teams of different sections or departments within the Group under corporate governance function play a major role in monitoring the internal corporate governance of the Group. They have unrestricted access to the information that allow them to review all aspects of the Group's risk management and governance processes in connection with nature of compliance and legal requirements. It also has the power to consult the Audit Committee without reference to the Company's management.

Internal Control Activities:

Internal control activities are undertaken by the responsible teams under corporate governance function. Under the cross-functional work relationship, the teams conduct periodic review of the practices, procedures and internal controls of all business and support units within the Group. The relevant Board Committees may request the responsible teams to conduct ad-hoc reviews or investigation in relation to all types of business operations of the Group if needed, and to report back the review or investigation results to the Board Committees.

The management systems for occupational health, safe environment and quality standards are set up. The perfection of the internal control system is properly established and the Board and the Company's management have paid significant attention to it. The aim of undertaking the internal control activities by the responsible teams is to govern the overall system establishment and comprehensive perfection in corporate internal control. Key tasks of the responsible teams in this internal control function include:

1. unlimited authority of access to review different aspects of the Group's business activities and internal control procedures;

2. regular performance of the comprehensive audit of the working procedures, practices, expenses, investment, asset management of the special business unit and the Group;

3. special reviews and investigations for ad-hoc projects; and

4. liaison with the Company's management and reporting to the Company's Audit Committee and the Board on the effectiveness and efficiency of the Group's management and the assurance against material financial misstatements.

The Board holds full responsibility for the system of internal control of the Group and continuously reviews its effectiveness from time to time. The responsible teams participating into the internal audit activities as aforementioned perform investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Company's Audit Committee. The Board, through the Audit Committee, has at least annually reviewed the effectiveness of the system of internal control of the Group for the year ended 31 December 2014. The review had covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board via annual review considers the internal control systems (including but not limited to the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, its training programmes and budget) is effective and adequate.

The Board has implemented procedures and internal controls for the handling and dissemination of inside information. During the year of 2013, the Company has adopted the inside information policy which aims to set out guidelines to the Group's directors, officers and all relevant employees to ensure inside information (as defined below) of the Company is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The term "relevant employee" refers to employee of the Group, because of his office or employment, who is likely to be in possession of the unpublished inside information (as defined below). The above mentioned persons are also recommended to make reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission ("SFC") in June 2012.

Under the new Part XIVA of the Securities and Future Ordinance ("SFO"), Chapter 571 ("Part XIVA") which has been effective on 1 January 2013, inside information is the specific information about the Company, its shareholder or officer or its listed securities or derivatives, which is not generally known to the persons who are accustomed, or would be likely, to deal in the Company's listed securities but would, if generally known to them, be likely to materially affect the price of the Company's listed securities.

OPERATION RISKS

The Group has implemented appropriate policies and procedures for all major operations. In particular, the Company's management closely monitors the procurement process and performs due diligence check on the vendors. The In Process Quality Assurance Department and Reliability Department ensure the stability of the manufacturing process and control products quality. The Group also strives to promote human resources reforms and comprehensively enhances cost management. By establishing clear policies and requiring well-documented business process, the exposure to operation risks is considered minimal.

INVESTOR RELATIONS AND COMMUNICATION

The Board established a shareholders' communication policy on 27 March 2012 for maintaining an on-going dialogue with the Company's shareholders and other stakeholders and encouraging them to communicate actively with the Company. This policy sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the Company's shareholders and other stakeholders (including potential investors) with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Company's shareholders and other stakeholders to exercise their rights in an informed manner mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars, notices of meetings, proxy forms and listing documents), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars and associated explanatory documents etc are sent to the Company's shareholders and are also posted on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.topsearch.com.hk) under a dedicated "Investor Relations" section as soon as practicable in plain language and in both English and Chinese versions or where permitted, in single language, and will be updated on a regular basis and in a timely manner. The Company's website provides its shareholders with the corporate information, such as principal business activities, the development of corporate governance and the corporate social responsibilities of the Group such as environmental protection, etc.

The Company's shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address (as indicated below), in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, the Company's registered shareholders can contact Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company will not normally deal with verbal or anonymous enquiries. However, its shareholders may send their enquiries to the following in respect of the Company:

Principal place of business in Hong Kong	:	3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong For the attention of Chairman of the Board/Chief Executive Officer/ Company Secretary
Telephone	:	(852) 2271 2299
Fax	:	(852) 2858 8778
Email	:	investor.relations@topsearch.com.hk

The Company's registered shareholders should direct their enquiries about their shareholdings and entitlement to dividend to the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Tengis Limited, through the online holding enquiry service at www.tricoris.com or by email to is-enquiries@hk.tricorglobal.com or hotline at (852) 2980 1333 or in person at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company's general meeting allows the Directors, its members of the Audit, Remuneration and Nomination Committees respectively and its external auditor to meet and communicate with its shareholders and to answer shareholders' questions. The Company will ensure that its shareholders' views can be communicated to the Board. For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting, for instances, nomination of persons as Directors by means of a separate resolution. The Procedures for Shareholders to Propose a Person for Election as a Director of the Company has been uploaded on the website of the Company in the section "Corporate Governance" under "Investor Relations" section.

The proceedings of general meeting are reviewed from time to time to ensure that the Company follows good corporate governance practices. Notice of an annual general meeting (whether for the passing of a special resolution and/or an ordinary resolution) shall be called by not less than twenty business days' notice or twenty-one days' notice (whichever is longer) in writing at the least and a special general meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a general meeting of the Company (other than an annual general meeting or a meeting for the passing of a special resolution) shall be called by ten business days' notice or fourteen days' notice (whichever is longer) in writing at the least (whereas the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given), and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

The chairman of the general meeting exercises his power under the Company's Bye-laws to put each proposed resolution to the vote by way of a poll, save for the resolutions (if any) proposed by the chairman of the meeting regarding the approval on the procedural and administrative matters as defined in the Listing Rules. The procedures for demanding and conducting a poll are explained at the general meeting prior to the polls being taken. The Company's shareholders who are entitled to attend and vote at a general meeting are entitled to ask about the poll voting procedures and details of the proposed resolutions at the general meeting whose questions should be answered during the general meeting prior to the conduction of poll voting. Announcement on poll voting results of general meeting will be posted on the Stock Exchange's website and the Company's website.

During the year of 2014, there was no significant change in the Company's Memorandum of Association and Bye-laws, whereas both of which have been uploaded on the Stock Exchange's website and the Company's website.

The Company continues to commit to a proactive policy of promoting investor relations and effective communication with the Company's shareholders and analysts by maximizing the use of the Company's website (www.topsearch.com.hk) as a channel to disclose the Company's updated information and corporate communications to the Company's shareholders, stakeholders and the public on a timely basis.

Shareholders Rights

The Directors, pursuant to Bermuda Companies Act and notwithstanding anything in the Company's Bye-laws shall, on the requisition of the Company's shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the general meeting, and must be signed by the requisitionists and deposited at the Company's principle place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any general meeting so convened shall not be held after the expiration of three months from the said date.

A general meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by Directors.

Any number of shareholders of the Company representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders or not less than 100 shareholders of the Company, may make a requisition in writing to the Company to do the following (which will be done at the expense of the requisitionists unless the Company otherwise resolves):

(i) to give to the Company's shareholders entitled to receive notice of the next annual general meeting and notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(ii) to circulate to the Company's shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand (1,000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, must be deposited at the registered office of the Company

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting,

and there must be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

However please note that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an annual general meeting is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time limit stated above shall be deemed to have been properly deposited for the purposes thereof.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a general meeting shall be repaid to the requisitionists by the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period which give a true and fair view of the financial affairs of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report (i.e. 15 April 2015), the Company has maintained a sufficient public float of its issued shares in the Stock Exchange throughout the period from 1 January 2014 to 31 December 2014 and has continued to maintain such a sufficiency of public float as at 15 April 2015.

Environmental, Social and Governance Report

The Board believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group's activities. In addition to business growth, the Group has been pursuing excellence in environmental protection, social responsibility, and governance areas. Meanwhile, the Group also wishes to enhance its transparency to achieve and uplift the sense of social caring and responsibility amongst various stakeholders including shareholders and investors, employees, customers, suppliers, government and regulators, the environment and the community. With reference to its own experience and practice, the Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules as its standards, with an aim to establish a sound environment, social and governance structure.

This Environmental, Social and Governance Report is a review of its performance in environment, social and governance areas, which sets out the Group's policies and practices in four aspects namely environmental protection, working environment, supply chain management, and community involvement for the period from 1 January 2014 to 31 December 2014. This report is designed to allow shareholders, investors (including potential investors) and the public to have a more comprehensive and profound understanding of the Company's corporate governance and culture. The Company is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and the society's benefits.

ENVIRONMENTAL PROTECTION

Environmental Policy

Traditionally, the manufacture of PCBs is classified as a pollution industry. In view of it, the Group pledges to uphold quality management and implement policies for conserving resources and managing waste. The Group has established the following policies in compliance with environmental regulations:

1. During the stage of design, research and development, environmental impact assessment for each material or machinery is conducted prior to any purchase decision. Accordingly, such impact assessment data is considered as one of the key criteria for procurement decisions.

2. During production, consumption, delivery and waste disposal, the Group undertakes environmental protection measures through technological enhancement, usage of recycling materials and conservation of resources. Besides, minimum environmental impact approach and systematic recycling methods are employed to best protection to the environment as well as the ecosystem.

3. The Group commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

4. Awareness for environmental protection of all employees is enhanced through environmental protection activities, training program and promotion. The concept of "Reduce", "Reuse", "Recycle" are heavily promoted. By promoting them, the Group is striving to protect the environment as well as contributing back to the society.

5. Top management of the Company is acting as a core for establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy. Besides, this environmental protection policy is always given first priority, overriding production needs wherever necessary.

6. The Company always keeps track of the development of international environmental protection legislation and ensures its environmental policy is implemented not only to comply with international standards, but also to ensure it is at the same pace as worldwide counterparts.

Environmental Research Projects

Since 2001, the Group has started sponsoring Tsinghua University (one of the top research and education institutions in China) for the establishment of the "Tsinghua Topsearch R&D Centre of Green Manufacturing" to achieve the following:

1. Conduct Green Manufacturing Research; and

2. Organise and promote Green Education.

Major subjects for research include:

1. Green Assessment System;

2. Green Design Theory and Methods;

3. Recycle and Reuse Technology of PCBs;

4. Energy Consumption Management;

5. Green Education for Manufacturing and Industrial Ecology; and

6. Green Manufacturing Website.

Environmental, Social and Governance Report

The Group has been playing a significant role in taking the Green Technologies on to the next level. It is looking forward to sharing these future technologies and is confident that a better and healthier environment can be built.

RoHS Standard and Lead-Free Production

As one of the leading companies in the PCBs industry, environmental protection is always one of the focused areas of the Group. The Group has been complying with "Restriction of the use of certain Hazardous Substances" ("RoHS Standard"). The RoHS Standard requires electronic manufacturing companies to use the minimum hazardous substances, such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers, which are dangerous to our environment. The RoHS Standard enables our products which are produced under environmental friendly. Apart from meeting the RoHS Standard, the Group is also using halogen-free materials because halogen compound is dangerous to the ozone.

The Group has already used lead-free surface finishing production such as Organic Solderability Preservative (OSP) and Electroless Nickel Immersion Gold (ENIG), which enable our product surfaces to be lead-free. As one of the Group's long term strategies, we will continue to invest on new lead-free technology. Recently, we have invested on Immersion Silver and Immersion Tin machines, which provide better lead-free finishing production along the manufacturing lines.

In future, the Group will keep sourcing new RoHS compliance materials and lead-free surface finishing alternatives to achieve better environmental protection and provide more choices for customers.

Emissions

The Group adopts the following policy and measures for monitoring various emissions to be arisen out of the PCBs production:

1. Waste water discharge complies with the phase two level (three requirements) of the Discharge Standard of Water Pollutant in Guangdong (DB44/26-2001); exhaust gas emission complies with the phase two level (two requirements) of the Emission Limit of Air Pollutants (DB44/27-2001).

2. Hazardous wastes are collected, stored, transferred, reused and timely registered with the solid waste management platform of Guangdong Province as required to file the transfer of hazardous wastes in accordance with the requirements of the national regulation on the management of hazardous wastes.

3. Internal carbon-emission inspection and audit in relation to greenhouse gas emission were commenced in compliance with the standards of ISO14064.

Emission Data for the year 2014 (with 2013 comparatives)

(Total emission: tonne)	**2014**	2013
1. Nitrogen oxides	**6.7471**	8.3346
2. Hydrogen chloride	**1.3976**	2.0998
3. Ammonia	**0.4262**	0.3374
4. Sulfuric acid mist	**0.0639**	0.0643
5. Formaldehyde	**0.0642**	0.0980
6. Lead and its compounds	**0.0091**	0.0093
7. Particles	**0.6768**	0.6800

	2014	2013
Total emission of greenhouse gas:	**89,391**	94,096 (tonnes of CO_2 equivalent)
Hazardous waste:	**9,178.69**	11,525.46 tonnes
Strictly controlled waste:	**410.46***	399.85 tonnes
General waste:	**1,204.85***	1,112.77 tonnes

* The increase in emission is attributable to the corresponding increased production of multi-layers PCB as compared with the level of year 2013. Meanwhile, the increase in the volume of sample and small quantity orders has also led to related variation in the use of laminates, films and other materials for the PCB production where unfavourable waste generation would have been resulted accordingly.

Use of Resources

Predictable resource waste reduction and waste disposal policy were executed in a planned and controlled manner in compliance with ISO14001 environmental management system. At the stage of research and development or design, materials used or machines are subject to environmental safety assessment and investigation before procurement for understanding their impact on the environment. Options of lower consumption and higher resource- and energy-saving properties are preferred. During the production process, all processes are evaluated against energy consumption standards to effectively control the energy consumption of the processes.

Electricity

Actions plan for efficient use of electricity:

1. In 2014, the Group acquired a brand-new model of Electroless Ni and Immersion Gold line with low energy consumption.

2. All processes are evaluated against energy consumption standards on a monthly basis and any processes not reaching the standards are subject to KPI assessment.

Achievement during the year 2014:

In 2014, the total power consumption of the Qujiang Company was 89.55 GWh, whereas in 2013, the total power consumption of the Qujiang Company was 97.43 GWh, representing a saving of electricity by 7.88 GWh in 2014 compared to 2013.

Water

Water consumed by the Group's manufacturing activities comes from tap water supplied by Qujiang Water Supply Company.

Actions plan for efficient use of water:

1. Water used for backwashing the DI machines of the Qujiang Company is recycled to the sewage treatment station of the Qujiang Company for equipment washing and ingredient mixing. Sewage after treatment at the sewage treatment station is also recycled to the sewage treatment station for equipment washing and ingredient mixing.

2. All water-consuming processes are evaluated against energy consumption standards on a monthly basis and processes not reaching the standards are subject to KPI assessment.

Achievement during the year 2014:

In 2014, the total water consumption of the Qujiang Company was 2.06 million tonnes, whereas in 2013, the total water consumption of the Qujiang Company was 2.04 million tonnes, representing an additional consumption by 0.02 million tonnes slightly in 2014 as compared with the same in 2013.

Packing Materials

Achievement during the year 2014:

In 2014, the total consumption of packing materials for finished goods was 3,130 tonnes. Given the total output of 750,103 m^2 in 2014, the average packing material per square metre was 0.0042 tonne.

WORKING ENVIRONMENT

The Company stresses the importance of the development and growth of talented employees, and is aware that realisation and promotion of employees' value will help to achieve the Company's overall goals. The Company highly recognises the importance on employees' contribution to its business growth, and seeks to provide a platform for mutual growth and sharing of success between the Company and its employees. The Company also provides opportunities for skill training, career planning and development as well as humanistic cares to each employee.

Employment Policy

Almost 99% of the employees hired by the Group have been located in the PRC. The Group strictly complies with the requirements of the Labour Law of the PRC without violating the relevant rules and regulations:

1. Workers' wages, overtime payments and related benefits are made in accordance with the local minimum wage (or slightly above);

2. Holidays and statutory paid leaves are in compliance with the requirements of the PRC;

3. Adults aged 18 or above are employed indiscriminate of gender, religion and race, and equal training and promotion opportunities are provided to its employees;

4. Integrated computation of working hours is implemented with reference to the requirements of the Labour Law.

Labour Standards

1. The Group hires employees aged 18 or above with valid citizen identity cards issued by the public security bureau in strict compliance with the requirements of the Labour Law.

2. Employment by the Group's companies is based on the principle of fairness, openness and willingness. The individual entities enter into labour contracts for legal employments without acts of forced labour.

The Group employs workers in strict compliance with the requirements of the Labour Law without incidences of illegitimate employment. The following procedures will be adopted in case any incidence of illegitimate employment is discovered:

1. To confirm the existence of such illegitimate employments.

2. To timely investigate the reason and channel of illegitimate employment, and to devise relevant measures of improvement to prevent future occurrences.

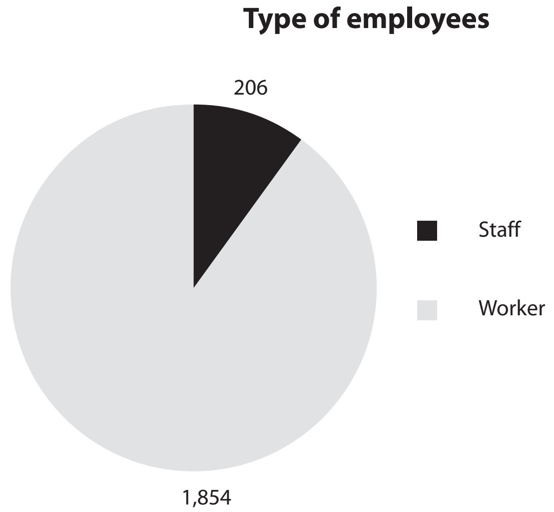
3. To contact the relevant labour affairs authorities to assist in the follow-up actions.

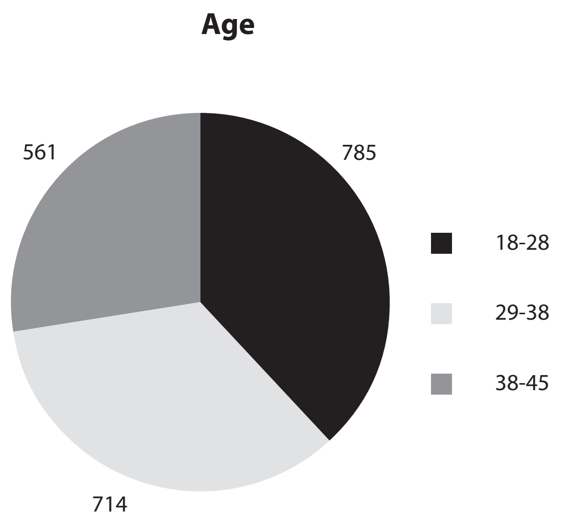
4. To terminate the employment, fully pay the labour remuneration and make compensation in accordance with the relevant requirements.

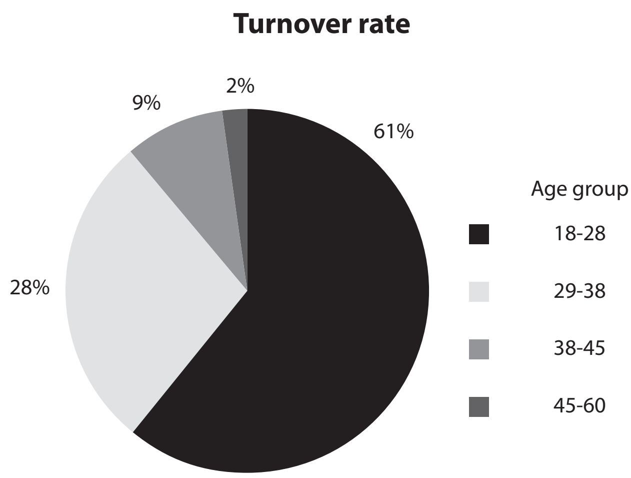
Structure of Employees

The Company understands and recognises the benefits of the diversity of staff, which is regarded as a key to maintaining its competitive strengths. A company with a wide diversity of cultures should be inclusive of employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

For employees hired in the PRC Factory (as at 31/12/2014):







Health and Safety

Employees are the most important assets and resources of the Company. The Company is committed to providing healthy cares for employees in a safely, healthy, sound and guaranteed workplace in addition to production safety.

1. The working environment of the Group's companies in the PRC strictly complies with the relevant State requirements of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Measures for Supervision and Administration of Employers' Occupational Health Surveillance, Measures for Classified Administration of Occupational Diseases and Hazards in Connection with Construction Projects, Warning Signs for Occupational Hazards in the Workplace, Measures for Administration of Declaration of Occupational Hazards at Workplace, and Regulations on the Safety and Hygiene at Factories.

2. Physical examination is performed for new, existing and ex-serving employees every year.

3. Occupational hazards at workplace are reported to the local regulatory authorities every year.

4. Qualified assessors are engaged to assess occupational hazards at the workplace every year.

5. Qualified assessors are engaged to issue a report on the existing situation of occupational hazards every three years.

6. First aid, fire extinguishing, evacuation, leakage and escape exercises are regularly performed.

7. Appropriate contingency report and investigation systems are set up to encourage the report of contingencies and unsafety factors by the employees.

There was no case of occupational casualties for the Qujiang factory since the commencement of operation in September 2003, representing a casualty ratio of 0%. Number of day loss due to occupational injuries did not exceed 20 days for each year.

Employee Training and Development

The Company has a comprehensive training system and training mechanism to support the on-the-job education and training of its employees in order to enhance their knowledge and skills. The Company's training mainly include: entry training, on-the-job training and external training. Courses of entry training include: rules and regulations on personnel matters, 6S and occupational quality, management system of the Company, industrial safety and working environment, and knowledge of quality fundamentals. On-the-job training covers qualification authentication (theories and practices) and matters related to the annual training programme. External training covers orientation training for special posts. All the related training expenses are borne by the Company.

Entry training: participated by 100% of the employees;

On-the-job training: participated by 100% of the employees;

External training: participated by the senior management, middle management, first-line management and others as to approximately 50%, 20%, 10% and 5% respectively.

Moreover, the Group has already financed over 120 staff members for attending university studies since 1999. It also invests heavily in training because it believes that training and further education will not only benefit the individual staff member but also provide them more opportunities to make greater contributions to the Company. Financing for education is not limited to staff. The Group extends it to talented young students. Since 1995, the Group has sponsored over 50 students in their Doctor's and Master's studies in South China Agricultural University and Tsinghua University respectively. The Company may not directly benefit from it, but the Board believes that these students can contribute more to the society if they have opportunities to further their studies.

Recreational Activities

The Group has arranged different recreational activities and welfare for all its employees working in the PRC manufacturing plant including but not limited to the following:

1. Providing free coach bus services for the employees for implementing human-based management: for facilitating employees to go to work and to get off duty, and to pick them up or send them off for shopping and travel, etc.

2. Providing free internet connection facilities.

3. Holding birthday-travel activities for the employees.

4. Providing a comfortable and safety living environment for the employees.

5. Holding regular sports activities and competitions such as basketball, soccer and table tennis.

SUPPLY CHAIN MANAGEMENT

Supply chain management is always one of the key links in the Company's quality control system. The Group exercises a high level of scrutiny over the selection of suppliers. Based on legitimate qualifications, suppliers are subject to assessments and on-site audits on their product quality as well as suitability and quality consistency tests being conducted by our quality-control department. Suppliers must pass the audits and assessments before they can be selected into the "Qualified Vendor List". The Group will only enter contract with and make purchases from suppliers whose names are on the said list according to needs.

The Group will ensure that:

1. The raw material suppliers have obtained the ISO9001 quality system certification.

2. The major material suppliers for production of automotive products have obtained the ISO/TS16949 quality system certification, and the major material suppliers for production of medical products have obtained the ISO/TS13485 quality system certification.

3. At least 15 suppliers will be subject to annual system audit every year.

4. The suppliers will be subject to performance assessment every month.

Geographical distribution of key suppliers:

	2014	2013
Pearl River Delta	**20 - 25**	25 - 30
Shaoguan	**15 - 20**	10 - 15
Overseas	**2 - 3**	3 - 5
Other regions in the PRC	**5 - 7**	3 - 5

Product Responsibility

The Group has adopted the following measures for enhancing its product's safety and customers' satisfaction:

1. Our quality policy: to provide products and services which are satisfactory to the customers.

2. Our products fulfill UL requirements under UL laboratory tests by third parties, evidencing the safety of our products.

3. The Group has a series of product assurance systems in place: TSQJTCP003 product realisation plan under ISO/TS16949, TSQJTCP008 product labeling and traceability procedures, TSQJTCP010 product and process monitor and assessment procedures, TSQJTCP013 nonconforming product control procedures, TSQJTCP014 product rectifying and preventive measures and procedures, TSQJTCP015 product protective procedures and TSQJTCP024 product control planning procedures under ISO/TS16949.

4. The Qujiang Company has passed the EICC audit.

5. The Company protects the privacy of its customers or consumers, and enters into confidentiality agreements with its customers.

The Group also carries out long-term quality monitoring and regular reviews on all its suppliers. In case there is a significant change in suppliers, or qualification or serious quality issues, the Group may suspend delivery from the supplier in question at any time and, if necessary, cancel its qualification as our qualified vendor to ensure promising quality of our products.

Intellectual Property Rights

The Company respects and protects intellectual properties. The management and protection of the Company's core technical information and customer and product information technologies are performed in accordance with the documents "TSQJT005-DOC-OI-001 Instructions on the Handling of Customer Information on the Electronic Media" and "TSQJT005-DOC-OI-002 Instructions on the Handling of Information on Non-electronic Media", whereas the core information storage sites such as the document control centre and the ME information centre are installed with entry access, locks and other mechanisms based on the principle of safety to prevent the leakage of information caused by the entry of unrelated personnel. All new employees (staff members) are required to sign a Confidentiality Agreement and Non-competitive Agreement prior to starting employment. The Company has the rights to claim the violator any compensation for the losses arising from the violation of protect intellectual properties subject to the Company's Non-disclosure Agreement and Non-competitive Agreement.

Anti-Corruption

To effectively promote the integrity environment in the workplace, the Group has implemented clear internal rules and regulations and continues to improve its internal control system with an aim at strengthened internal supervision, risk management and anti-corruption management.

1. The Group prohibits the giving and acceptance of brides, the acceptable of valuables, the embezzlement of funds, blackmail and exaction. Employees of the Group are required to sign an Honesty Agreement prior to starting employment.

2. The Group strictly prohibits "eating, taking, obstructing, and demanding" by using the excuse of work in order to establish a sound image for the Company.

3. Outgoing business activities with definite business purposes shall apply to the principle of thrifty and succinctness. Excessive claim of travel expenses, incompliant dining expenses and reception of unrelated persons at the Company's expenses are not allowed.

4. The Company encourages the reporting of dishonest acts by its employees. The human resources department may terminate the employment contract with the employee carrying out dishonest acts in accordance with S17 and S20 of the Employee Manual and confiscate the illegal gains. Serious cases are reported to the public security authorities.

During the Reporting Period, these rules and systems played a sound control and preventive role in risk control and anti-corruption management of the Company and its subsidiaries, and no material weakness was identified.

COMMUNITY INVOLVEMENT

As a global corporate citizen, the Company strives to improve the society through community investment. Apart from making cash donations to charitable organisations, both management and employees of the Group have been creative in taking their own initiatives on helping and supporting the local communities and neighbours.

During the year 2014, the following activities have been organised and carried out by the Group:-

1. In response to the calling of the Municipal Committee and Municipal Government of Shaoguan, and the District Committee and District Government of Qujiang, the Company has commenced the preparatory works for the "Giving a Helping Hand Day Guangdong". On 30 June of every year, the Group continues to spread the traditional virtue of giving generously and helping the needy to help building a warm and harmonious world with a dedicated heart. On 3 July, the Qujiang Company donated RMB60,000 to Xinjing Village, Hukou Town, Nanxiong City, Shaoguan Municipal and RMB60,000 to the Charity Association of Qujiang District, Shaoguan Municipal, respectively.

2. In response to the calling of the Municipal Committee and Municipal Government of Qujiang and the Qujiang Economic Development Zone, the human resources department of the Company's subsidiary in Qujiang ("Qujiang Company") has organised a cultural performance at the "Happy Qujiang" mid-autumn cultural gala that included dancing, singing, recitals, male and female solo singing, group singing, chorus, short drama, cross talk, magic show and tea-picking opera.

3. In response to the calling of the Anti-drug Committee of Qujiang, the Qujiang Company has joined hands with the District Government, District Political and Judiciary Commission, Public Security Department of Qujiang to hold an anti-drug campaign to publicise the danger of drugs in July 2014, during which information and photographs were handed out to employees of neighbourhood factories.

4. In its concern for children's growth, the Qujiang Company has visited 44 schools in Qujiang District under the "Hand in Hand with Love" program in unison the Youth League Party Committee of Qujiang District on an irregular basis. We have made interactively exchanges with the left-behind children at each primary school and participated in the newspaper reading activity with the students. The Qujiang Company has subscribed *China Children Newspaper, Bless the Truthful Heart* (《天佑真心》) and other story books for the 44 schools, in addition to buying blankets for the left-behind children.

5. In response to the call by the Qujiang Labor Bureau in November 2014, the Company joined hands with the regional fire services department in holding a fire prevention and safety promotion activity in the region, in which fire prevention information and pictorial descriptions were handed to the staff of the peripheral factories.

6. On 28 July 2014, the Qujiang Company assigned its outstanding employees to take part in the "20th Anniversary of the "China Youth Hand in Hand" activity, during which they joined the "Big Sister of Heart（知心姐姐）", Ms. Luqin to center on the classic theme of "hand in hand" taking survival as the material, experience as the core and happiness as the objective, to kick off the Urban and Rural Children Hand in Hand Experience Camp in Jigong Mountain themed "Happy Survival – I am Great!" at the China Youth and Children "Hand in Hand" campground in the natural reservation area in Jigong Mountain, Xinyang, Henan. During the activity, they spent five fabulous days with students of the Hope Primary School in the Dabie mountainous region and peers from cities across the nation under the guidance of the famous teacher, with the aim of creating a happy and meaningful summer vacation for the children, let them discover their own strengths through first-hand experiences, learn to accept and help others, learn to cooperation and master the skills of self-protection and self-saving, pass on the culture of family and experience the simplest joys!

Going forward, the Company will continue to identify new opportunities in promoting sustainability through its business operations, as well as to strengthen our partnership with charities for the minority groups and to nurture a culture of giving within the community.

DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board approved this Environmental, Social and Governance Report for 2014 as well as its disclosure on the websites of the Hong Kong Stock Exchange and the Company respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group's turnover decreased by 15.3%. Overall, the Group's gross margin decreased from 13.7% in 2013 to 1.6% in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks.

As at 31 December 2014, the Group had total equity of HK$372 million (31 December 2013: HK$553 million) and net debt (trade payables, other payables and accruals, interest-bearing bank loans, amount due to an associate, obligation under finance lease, shareholder's loan less cash and cash equivalents) of HK$465 million (31 December 2013: HK$389 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 56% (31 December 2013: 41%).

The Group's net current liabilities of HK$71 million (31 December 2013: HK$40 million) consisted of current assets of HK$315 million (31 December 2013: HK$332 million) and current liabilities of HK$386 million (31 December 2013: HK$372 million), representing a current ratio of 0.82 (31 December 2013: 0.89).

As at 31 December 2014, the Group's current assets consisted of HK$95 million (31 December 2013: HK$86 million) held as cash and cash equivalents, of which 4% was in Hong Kong dollars ("HKD"), 59% was in US Dollars ("USD"), 36% was in Renminbi ("RMB") and 1% was in other currencies.

The Group's current assets also consisted of HK$102 million (31 December 2013: HK$126 million) as trade receivables from its customers. Debtors turnover days was 68 days (31 December 2013: 68 days).

As at 31 December 2014, the Group's inventories increased to HK$96 million (31 December 2013: HK$92 million). Inventory turnover days was 57 days (31 December 2013: 62 days). Trade payables increased to HK$180 million from HK$156 million in 2013. Creditors turnover days was approximately 102 days (31 December 2013: 98 days).

INTEREST-BEARING BORROWINGS

As at 31 December 2014, the Group had the interest-bearing borrowings as follows:

	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*
Amounts payable:		
Within one year	**105,711**	103,009
In the second year	**173,492**	103,322
In the third to fifth years, inclusive	**181**	391
	279,384	206,722
Less: Portion classified as current liabilities	**105,711**	103,009
Portion classified as non-current liabilities	**173,673**	103,713

Of the total interest-bearing borrowings, HKD denominated loans accounted for 33% (31 December 2013: 46%), USD denominated loans accounted for 23% (31 December 2013: 32%) and the 44% balance was RMB denominated loans as at 31 December 2014 (31 December 2013: 22%).

Bank loans of approximately HK$75,000,000 (31 December 2013: HK$63,088,000) carried floating interest rates and the effective interest rate is 6.15% (31 December 2013: ranged from 2.51% to 3.55%) per annum. The remaining bank loans carried fixed interest rate at 1.53% to 6% (31 December 2013: 6.0%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

The bank loans and other banking facilities of the Group are secured by:

(i) certain buildings and payments for leasehold land held for own use under operating leases held by the Group;

(ii) the assignment of trade receivables of a subsidiary of the Group; and

(iii) corporate guarantee of the Company.

There are shareholder's loans advanced by Mr. Cheok Ho Fung, an Executive Director, Chairman of the Board, Chief Executive Officer and a controlling shareholder of the Company at the effective interest rate of 7% per annum (2013: 7%). This financial assistance provided by Mr. Cheok Ho Fung as a connected person (defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules")) is a connected transaction. However, it is fully exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to rule 14A.90 of the Listing Rules because this financial assistance provided by the abovesaid connected person is conducted on normal commercial terms and it is not secured by the assets of the Company or its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 47% and 81% of the Group's purchases and expenses, respectively, are denominated in RMB. As the Group imported a substantial portion of its major and important raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the overall effects arising from RMB appreciation.

As at 31 December 2014, the Group has not entered into any financial instrument for hedging purpose. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimise exchange risk should the need arise.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in the paragraphs under the sub-section headed "Business Review" in the section headed "Chairman's Statement" on pages 4 to 7 of this annual report about various disposals by the Group, the Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the year of 2014.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2014, excluding the associate, the Group had approximately 2,060 employees (31 December 2013: 2,115). For the year ended 31 December 2014, our total staff costs amounted to HK$168 million (31 December 2013: HK$174 million). Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates. Employees are also granted discretionary bonus subject to the individual's performance and business results of the Group.

The Company previously operated a share option scheme for the purpose of providing incentives and rewards to eligible participants including any employees of the Group. However, as at 31 December 2014, no share options were outstanding under the scheme because the share option scheme, which life was 10 years from its date of adoption on 30 May 2002, had already been expired on 30 May 2012. The Board considered that a new share option scheme may only be adopted in future at the time the Directors think favourable to the Company to do so.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group's capital commitments contracted but not provided for amounted to HK$0.3 million (31 December 2013: HK$6 million) and there was no capital commitment authorised but not contracted for (31 December 2013: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

OTHER COMMITMENTS

The Group's capital contribution committed to the wholly-owned subsidiary established in the PRC amounting to HK$9 million as at 31 December 2013, which represented an investment in a subsidiary in Shaoguan, Guangdong Province of the PRC, had been paid up in March 2014.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: HK$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 3 June 2015 (Wednesday) to 5 June 2015 (Friday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 5 June 2015 (Friday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 2 June 2015 (Tuesday).

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 33 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the analysis of the Group's revenue for the year by geographical location are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 64 to 135.

The Board does not recommend the payment of any dividend for the year ended 31 December 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 136. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the Company's issued share capital for the year ended 31 December 2014 are set out in note 31 to the consolidated financial statements.

There was no movement in the Company's share options during the year because the Company's share option scheme has been expired on 30 May 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders though there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year of 2014.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 69.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution amounted to HK$Nil. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders of the Company if there are reasonable grounds for believing that:

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2014, the sale of products to the largest and the five largest customers amounted to approximately 26% (2013: 20%) and 50% (2013: 54%) of the Company's revenue respectively.

For the financial year ended 31 December 2014, the purchase of materials from the largest and the five largest suppliers amounted to approximately 17% (2013: 23%) and approximately 48% (2013: 50%) of the Company's total purchases respectively.

None of the Directors, or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) has any beneficial interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2014.

CONTINUING CONNECTED TRANSACTION

The following is a continuing connected transaction that is not exempted under the Listing Rules and is statutorily required to be disclosed pursuant to Rule 14A.71 of the Listing Rules in this annual report:

Tenancy Agreement

On 28 May 2014, Topsearch Printed Circuits (HK) Limited as tenant (an indirect wholly-owned subsidiary of the Company), entered into a tenancy agreement ("Tenancy Agreement") with Keentop Investment Limited as landlord (an investment holding company and a connected person defined under the Listing Rules, which is beneficially owned as to 50% by each of Mr. Cheok Ho Fung, an Executive Director and Chief Executive Officer and his spouse, Mrs. Cheok Chu Wai Min) in respect of the renting of the properties known as House 7 and the Garden appurtenant thereto and Car Parking Spaces Nos. 7A and 7B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a lease term of three years commencing from 1 June 2014 to 31 May 2017 (both days inclusive) as director's quarters provided to Mr. Cheok Ho Fung and his family.

Keentop Investment Limited will charge Topsearch Printed Circuits (HK) Limited for the monthly rental of HK$165,000 (exclusive of rates, management fee and other outgoings) and monthly management fee of HK$11,390 (subject to adjustment) from 1 June 2014 to 31 May 2017 (both days inclusive) based on the valuation report dated 23 May 2014 conducted by a professional property valuer (an independent third party). The terms of the Tenancy Agreement have been negotiated on an arm's length basis and are considered as fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Details of the terms of and the annual caps under the Tenancy Agreement were announced by the Company on 28 May 2014 at the websites of the Stock Exchange and the Company respectively.

In respect of the Tenancy Agreement which constitutes a continuing connected transaction of the Company, the Independent Non-executive Directors have reviewed the said transaction and confirmed that the said transaction has been entered into:

(1) after arm's length negotiation;

(2) on normal commercial terms; and

(3) according to the Tenancy Agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Board of Directors confirmed that the Company's external auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter continuing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on page 48 of this annual report and confirmed the matters set out in Rule 14A.56 of the Listing Rules as follows. A copy of the auditor's letter has been provided by the Board of Directors to the Stock Exchange that:

(a) nothing has come to the auditor's attention that causes them to believe that the said transaction has not been approved by the Board of Directors.

(b) nothing has come to the auditor's attention that causes them to believe that the said transaction was not entered into, in all material respects, in accordance with the Tenancy Agreement governing the said transaction.

(c) with respect to the aggregate amount of the said transaction, nothing has come to the auditor's attention that causes them to believe that the said transaction has exceeded the annual cap disclosed in the announcements dated 1 June 2011 and 28 May 2014 made by the Company in respect of the said transaction.

DISCLOSEABLE TRANSACTIONS

Save as disclosed in the paragraphs under the sub-section headed "Business Review" in the section headed "Chairman's Statement" on pages 4 to 7 of this Annual Report, the Group had not entered into any discloseable transactions (as defined under the Listing Rules).

DIRECTORS

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

Executive Director:
Mr. Cheok Ho Fung

Non-executive Directors:
Mr. Tang Yok Lam, Andy
The late Mr. Ng Kwok Ying, Alvin (deceased on 13 October 2014)

Independent Non-executive Directors:
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

In accordance with Bye-law 99 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Tang Yok Lam, Andy (Non-executive Director) and Mr. Ng Kee Sin (Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting of the Company. None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has any service contract with the Company in respect of any unexpired period which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Director

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 63, is an Executive Director, the Chairman of the Board and the Executive Committee respectively, and Chief Executive Officer of the Company and director of other members of the Group. He is the founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 20 years of experience in the PCBs industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities.

Prior to founding the Group, Mr. Cheok had held the positions of financial controller and various management positions in different multinational companies involved in computer related products, application systems, motor vehicles and agricultural equipment, ship repairing and oil-rig construction, business-form printing and PCBs manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Cheok has entered into a service agreement with the Company on 30 May 2002 for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day immediately following the expiry of the then current terms of the service agreement. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. For the financial year ended 31 December 2014, Mr. Cheok received annual emoluments of HK$5,588,000, including the housing benefits in kind. His emoluments and performance bonus will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. Mr. Cheok's emolument package is subject to review by the Remuneration Committee of the Company and the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Mr. Cheok is one of the substantial shareholders (as defined in the Listing Rules) of the Company. He is also a director and a shareholder of Inni International Inc., which is also one of the substantial shareholders of the Company. Details of his interest in the shares and underlying shares of the Company have been disclosed in the section headed "Report of the Directors" under the sub-sections headed "Directors' Interests in Shares and Underlying Shares" and "Substantial Shareholders and Other Persons' Interests in Shares and Underlying Shares" of this Annual Report.

Save as disclosed above, Mr. Cheok has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being the Chairman of the Board and of the Executive Committee, Chief Executive Officer and an Executive Director, being the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company and director of other members of the Group, Mr. Cheok does not have any relationships with any other Directors and senior management (as defined in the Listing Rules), and there are no other matters concerning Mr. Cheok that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 67, was appointed as an Independent Non-executive Director on 3 April 2002 and has been re-designated as a Non-executive Director of the Company since 1 December 2004. He is also a member of the Remuneration Committee and Nomination Committee of the Company respectively.

Mr. Tang has over 30-years working experience globally in Hong Kong, Japan, London, USA and China in respect of engineering, shipping, energy, finance and investment banking areas. Mr. Tang had held various executive positions in multinational companies, including First Chicago, Fuji Bank, JP Morgan, Coastal Power, etc in Hong Kong, Japan, London, USA and China. Mr. Tang has been a pioneer in non-recourse project financing for sports stadium in USA and power plants in China. Mr. Tang currently resides in Beijing. Mr. Tang studied naval Architecture in Taiwan and subsequently production management at Cambridge and earned his MBA at Cranfield University in England in 1977.

Mr. Tang has been with the Company for over 12 years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2014, Mr. Tang received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Tang are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Tang has not held any other position with the Company or other members of the Group and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Tang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Tang that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

The late Mr. Ng Kwok Ying, Alvin

On 13 October 2014, Mr. Ng Kwok Ying, Alvin passed away peacefully at the age of 68. Mr. Ng was appointed as an Independent Non-executive Director on 3 April 2002 and re-designated as a Non-executive Director of the Company since 22 February 2005. He was also a member of the Audit Committee of the Company.

Mr. Ng deserved our highest respect for his outstanding and valuable contribution to our Board and our senior management over the years. He will be fondly remembered by all of us for his expertise and insight.

Mr. Ng was the founder and a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Mr. Ng had been with the Company for over 11 years, and had signed a letter of appointment with the Company for an initial fixed term of three years which should continue thereafter. He should be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration would be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2014, Mr. Ng received annual emoluments of HK$100,000 for being a Non-executive Director of the Company. The emoluments of Mr. Ng were subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng had not held any other position with the Company or other members of the Group and he had not held any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Ng did not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there were no other matters concerning Mr. Ng that needed to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 62, has been an Independent Non-executive Director of the Company since 1 September 2004. He is the chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company respectively.

Mr. Leung has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston prior to becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as an Executive Director for the Elegance Printing Group, the printer of the Company, which has business relationship with the Company. Mr. Leung holds a Bachelor's degree in Economics and a Bachelor's degree in Commerce from the University of Windsor, Canada, a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Leung has been with the Company for over 10 years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2014, Mr. Leung received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Leung are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Leung has not held any other position with the Company or other members of the Group and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director and an executive director and equity partner of the Elegance Printing Group, the printer of the Company, Mr. Leung does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Leung that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 68, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Nomination Committee and also a member of the Audit Committee of the Company. He has been appointed as a member of the Remuneration Committee on 12 July 2010.

Mr. Wong holds a Bachelor of Science degree in Financial Services from The University of Manchester Institute of Science and Technology. He is also a Fellow of The London Chartered Institute of Bankers (FCIB), now known as IFS, School of Finance (UK). As a Singaporean, Mr. Wong has more than 30-year experience in operational risk management, internal audit and compliance. He has held various positions in senior operational risk, internal audit and compliance at Asian and US banks, and has served as advisor and provided strategic risk consultancy services to various banks in Indonesia.

Mr. Wong has been with the Company for over 10 years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2014, Mr. Wong received annual emoluments of HK$120,000. The emoluments of Mr. Wong are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Wong has not held any positions with the Company or other members of the Group and he has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Wong does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Wong that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 63, has been an Independent Non-executive Director of the Company since 20 March 2007. He is the chairman of the Audit Committee of the Company.

Mr. Ng has more than 20 years of senior management experience in Asia Pacific countries with NCR, Digital Equipment Corporation, Compaq Computer Corporation and had been the managing director of Quantum Storage Greater China Region. He is currently an international associate of Golden Namsing Technology Shenzhen Co. Mr. Ng holds a Bachelor of Accountancy degree in the University of Singapore. He is a member of Institute of Singapore Chartered Accountants (ISCA).

Mr. Ng has been with the Company for over 8 years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2014, Mr. Ng received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Ng are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng has not held any other position with the Company or other members of the Group and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Ng that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into a service agreement with Mr. Cheok Ho Fung as an Executive Director, the chairman of the Board and the Chief Executive Officer of the Company for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day immediately following the expiry of the then current terms of the service agreements, subject to the termination specified in the said service agreement and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the service agreement with Mr. Cheok, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng served the Company as Non-executive Directors with terms of appointment for an initial fixed term of three years and shall continue thereafter, subject to the termination specified in the said letters and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Their terms of appointment were renewed and approved by the Board for the fixed term of three years and shall be continued thereafter. Under the letters of appointment, their appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an Independent Non-executive Director with terms of appointment for an initial fixed term of three years and shall continue thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong served the Company as an Independent Non-executive Director with terms of appointment for an initial fixed term of three years and shall continue thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 16 March 2007, a letter of appointment was issued by the Company and accepted by Mr. Ng Kee Sin. Mr. Ng serves the Company as an Independent Non-executive Director with effect from 20 March 2007 for an initial fixed term of three years and shall be continued thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The directors' fees are subject to the Company's shareholders' approval at general meetings. Other emoluments are determined by the Board subject to the authority granted by the Company's shareholders at general meeting with reference to directors' duties and skills, responsibilities and performance and the financial results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the financial statements, no Director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during or for the year ended 31 December 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 31 December 2014, the interests and short positions of the Directors, the chief executive of the Company or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	Note	Deemed	Long position	432,000,000	43.20%
Total				510,250,000	51.03%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse Mrs. Cheok Chu Wai Min.

(b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	12,250	49.00%
	Note	Deemed	12,750	51.00%
Total			25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	Note	Deemed	17,999,900	90.00%
Total			20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

2. Directors' Interests in Share Options of the Company

As at 31 December 2014, none of the Company's directors held share options of the Company because the Company's share option scheme had been expired on 30 May 2012.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company or their respective associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Long positions in Shares:

As at 31 December 2014, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	*Notes*			**Number of ordinary shares held**	**Percentage of issued capital**
Inni International Inc.		Direct	Long position	432,000,000	43.20%
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	(i)	Deemed	Long position	432,000,000	43.20%
		Total		510,250,000	51.03%
Mrs. Cheok Chu Wai Min	*(ii)*	Deemed	Long position	510,250,000	51.03%
Hallgain Management Limited	*(iii)*	Deemed	Long position	189,126,000	18.91%
Kingboard Chemical		Direct	Long position	5,016,000	0.50%
Holdings Limited	*(iii)*	Deemed	Long position	184,110,000	18.41%
		Total		189,126,000	18.91%
Jamplan (BVI) Limited	*(iii)*	Deemed	Long position	188,780,000	18.87%
Kingboard Laminates Holdings Limited	*(iii)*	Direct	Long position	202,000	0.02%
Kingboard Investments Limited	*(iii)*	Direct	Long position	188,578,000	18.85%

Notes:

(i) The above interest in the name of Inni International Inc. is disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".

(ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated as held by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represent the same block of shares, which were also included as interests of Mr. Cheok Ho Fung as disclosed in the above section headed "Directors' Interests in Shares and Underlying Shares".

(iii) Kingboard Investments Limited and Kingboard Laminates Holdings Limited, holders of 188,578,000 and 202,000 shares in the Company respectively, are a wholly-owned subsidiary and a non wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 36.26% equity shares in Kingboard Chemical Holdings Limited.

Save as disclosed above, as at 31 December 2014, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interest in Shares and Underlying Shares" above had registered an interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

AUDITOR

Deloitte Touche Tohmatsu, who acted as external auditor of the Company for the previous years to fill the casual vacancy created by Ernst & Young who resigned as the Company's external auditor on 11 February 2010, resigned on 17 October 2013, and BDO Limited was appointed as external auditor of the Company on 19 November 2013 by the Board to fill the casual vacancy created by Deloitte Touche Tohmatsu until the conclusion of the Company's forthcoming annual general meeting which had been held on 6 June 2014, and was being re-elected thereat.

A resolution for the re-appointment of BDO Limited, the Company's retiring external auditor, and being eligible, who will offer themselves for reappointment, would be proposed for the consideration, and if thought fit, to be approved by members at the Company's forthcoming annual general meeting to be held on 5 June 2015.

The financial statements of the Group for the year ended 31 December 2014 have been audited by BDO Limited.

On behalf of the Board

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 24 March 2015

BDO

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 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 Note 3(b) to the consolidated financial statements which indicates that the Group incurred a loss for the year of approximately HK$166,594,000 for the year ended 31 December 2014. As at 31 December 2014, the Group recorded net current liabilities of approximately HK$70,911,000. As at 31 December 2014, the Company recorded net current liabilities and deficiency in shareholders' fund of approximately HK$1,159,000 and HK$95,820,000, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

BDO Limited
Certified Public Accountants
Lam Siu Fung
Practising Certificate Number P05308

Hong Kong, 24 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
Revenue	7	**610,340**	720,372
Cost of sales		**(600,317)**	(621,357)
Gross profit		**10,023**	99,015
Other income	8	**12,245**	10,362
Other gains and losses	9	**(35,871)**	(37,712)
Selling and distribution costs		**(50,549)**	(65,998)
Administrative expenses		**(79,037)**	(76,420)
Share of results of associates		**(5,211)**	(726)
Finance costs	10	**(14,899)**	(19,203)
Loss before income tax expense	11	**(163,299)**	(90,682)
Income tax expense	15	**(3,295)**	(3,585)
Loss for the year		**(166,594)**	(94,267)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(21,291)**	20,916
Share of other comprehensive income of associates		**470**	3,389
Net other comprehensive income to be reclassified subsequently to profit or loss for the year		**(20,821)**	24,305
Item that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment	18	**5,831**	—
Net other comprehensive income for the year		**(14,990)**	24,305
Total comprehensive income for the year		**(181,584)**	(69,962)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year attributable to:			
Owners of the Company	16	**(161,895)**	(90,381)
Non-controlling interests		**(4,699)**	(3,886)
		(166,594)	(94,267)
Total comprehensive income attributable to:			
Owners of the Company		**(176,810)**	(66,174)
Non-controlling interests		**(4,774)**	(3,788)
		(181,584)	(69,962)
Loss per share	17		
Basic and diluted		**(HK16.19 cents)**	(HK9.04 cents)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**482,068**	549,204
Payments for leasehold land held for own use under operating leases	19	**22,131**	23,295
Interests in associates	20	**109,403**	118,580
Rental and utility deposits		**840**	752
Available-for-sale financial assets	21	**1,857**	1,857
Deposits paid for acquisition of property, plant and equipment		**198**	3,522
Total non-current assets		**616,497**	697,210
CURRENT ASSETS			
Inventories	22	**96,086**	92,172
Payments for leasehold land held for own use under operating leases	19	**582**	597
Trade receivables	23	**102,218**	126,033
Prepayments, deposits and other receivables		**21,963**	26,894
Amount due from an associate	20	**—**	24
Bank balances and cash	24	**94,722**	85,872
Total current assets		**315,571**	331,592
CURRENT LIABILITIES			
Trade payables	25	**180,136**	156,382
Other payables and accruals	26	**100,499**	107,811
Amount due to an associate	20	**—**	4,390
Tax payable		**136**	—
Obligation under finance leases	27	**4,095**	1,459
Interest-bearing bank loans	28	**101,616**	101,550
Total current liabilities		**386,482**	371,592
NET CURRENT LIABILITIES		**(70,911)**	(40,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**545,586**	657,210

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Shareholder's loans	29	**95,661**	101,757
Interest-bearing bank loans	28	**75,000**	—
Obligation under finance leases	27	**3,012**	1,956
Deferred tax liabilities	30	**—**	—
Total non-current liabilities		**173,673**	103,713
TOTAL NET ASSETS		**371,913**	553,497
CAPITAL AND RESERVES			
Share capital	31	**100,000**	100,000
Reserves	32	**279,725**	456,535
Equity attributable to owners of the Company		**379,725**	556,535
Non-controlling interests		**(7,812)**	(3,038)
TOTAL EQUITY		**371,913**	553,497

On behalf of the Board

Cheok Ho Fung

Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	33	**1,000**	1,000
CURRENT ASSETS			
Other current assets		**460**	292
Bank balances and cash		**23**	163
Total current assets		**483**	455
CURRENT LIABILITIES			
Other payables and accruals		**1,642**	1,623
NET CURRENT LIABILITIES		**(1,159)**	(1,168)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(159)**	(168)
NON-CURRENT LIABILITIES			
Shareholder's loans	29	**95,661**	101,757
TOTAL NET LIABILITIES		**(95,820)**	(101,925)
CAPITAL AND RESERVES			
Share capital	31	**100,000**	100,000
Reserves	32	**(195,820)**	(201,925)
DEFICIENCY IN SHAREHOLDERS' FUND		**(95,820)**	(101,925)

On behalf of the Board

Cheok Ho Fung

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Foreign exchange reserve	Statutory reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	HK$'000 *(Note 31)*	*HK$'000*	*HK$'000* *(Note (a))*	*HK$'000*	*HK$'000*	*HK$'000* *(Note (b))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	100,000	337,854	19,000	–	158,593	7,335	(73)	622,709	750	623,459
Loss for the year	–	–	–	–	–	–	(90,381)	(90,381)	(3,886)	(94,267)
Exchange differences arising on translation of foreign operations	–	–	–	–	20,818	–	–	20,818	98	20,916
Share of other comprehensive income of associates	–	–	–	–	3,389	–	–	3,389	–	3,389
Total comprehensive income for the year	–	–	–	–	24,207	–	(90,381)	(66,174)	(3,788)	(69,962)
At 31 December 2013 and 1 January 2014	**100,000**	**337,854**	**19,000**	**–**	**182,800**	**7,335**	**(90,454)**	**556,535**	**(3,038)**	**553,497**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(161,895)**	**(161,895)**	**(4,699)**	**(166,594)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(21,216)**	**–**	**–**	**(21,216)**	**(75)**	**(21,291)**
Gain on revaluation of property, plant and equipment	**–**	**–**	**–**	**5,831**	**–**	**–**	**–**	**5,831**	**–**	**5,831**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**470**	**–**	**–**	**470**	**–**	**470**
Total comprehensive income for the year	**–**	**–**	**–**	**5,831**	**(20,746)**	**–**	**(161,895)**	**(176,810)**	**(4,774)**	**(181,584)**
At 31 December 2014	**100,000**	**337,854**	**19,000**	**5,831**	**162,054**	**7,335**	**(252,349)**	**379,725**	**(7,812)**	**371,913**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the group reorganisation in prior years, over the nominal value of the Company's shares issued in exchange therefor.

(b) Statutory reserve was appropriated each year on the basis of 10% of the profit after taxation of certain subsidiaries established in the People's Republic of China (the "PRC") as determined by their boards of directors in accordance with the Articles of Association of the subsidiaries. This reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before income tax expense	**(163,299)**	(90,682)
Adjustments for:		
Depreciation of property, plant and equipment	**33,438**	35,286
Interest income	**(306)**	(435)
Finance costs	**14,899**	19,203
Share of results of associates	**5,211**	726
Net gain on disposal of property, plant and equipment	**(1,044)**	(536)
Impairment loss on property, plant and equipment	**50,000**	—
(Gain)/loss on revaluation of property, plant and equipment	**(7,151)**	35,000
Release of payments for leasehold land held for own use under operating leases	**587**	586
Write-down/(reversal of write-down) of inventories	**723**	(3,472)
Impairment loss /(reversal of impairment loss) on trade receivables	**1,673**	(1,251)
Write-back of other payables and accruals	**—**	(8,853)
Write-off of other receivables	**—**	2,143
Operating loss before working capital changes	**(65,269)**	(12,285)
(Increase)/decrease in rental and utility deposits	**(88)**	63
(Increase)/decrease in inventories	**(10,760)**	31,220
Decrease in trade receivables	**19,788**	19,393
Decrease in prepayments, deposits and other receivables	**5,153**	35,089
Increase/(decrease) in trade payables	**25,026**	(23,070)
Decrease in other payables and accruals	**(6,192)**	(19,886)
Cash (used in)/generated from operations	**(32,342)**	30,524
Income tax paid	**(3,159)**	(5,994)
Net cash (used in)/ generated from operating activities	**(35,501)**	24,530

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	**306**	435
Proceeds from disposal of property, plant and equipment	**1,310**	2,981
Purchase of property, plant and equipment	**(6,977)**	(14,598)
Deposits paid for acquisition of property, plant and equipment	**(142)**	—
Acquisition of subsidiaries	**(1,304)**	—
Release of pledged bank deposits	**—**	15,000
Proceeds from disposal of subsidiary	**—**	305,017
Net cash (used in)/generated from investing activities	**(6,807)**	308,835
Cash flows from financing activities		
New bank loans	**497,458**	396,354
Repayment of bank loans	**(420,800)**	(685,964)
Repayment of obligation under finance leases	**(3,977)**	(598)
Repayment of shareholder's loans	**(6,096)**	(3,058)
Interest paid	**(14,899)**	(19,203)
Repayment from an associate	**70**	386
Net cash generated from/(used in) financing activities	**51,756**	(312,083)
Net increase in cash and cash equivalents	**9,448**	21,282
Cash and cash equivalents at beginning of year	**85,872**	63,934
Effect of exchange rate changes on cash and cash equivalents	**(598)**	656
Cash and cash equivalents at end of year		
represented by bank balances and cash	**94,722**	85,872

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider that its immediate holding company and ultimate holding company is Inni International Inc., which is incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung, an executive director and chief executive officer of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 33.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — first effective on 1 January 2014

Impact of new amendments and interpretations which are effective during the year

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
HK (IFRIC) 21	Levies

Except as explained below, the adoption of these new/revised amendments and interpretations has no material impact on the Group's financial statements.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

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

HK (IFRIC) 21 — Levies

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

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

Amendments to HKAS 1	Disclosure Initiative[3]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

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

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted *(continued)*

Amendments Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted *(continued)*

HKFRS 9 (2014) — Financial Instruments

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted *(continued)*

HKFRS 15 — Revenue from Contracts with Customers *(continued)*

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

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

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

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors of the Company so far concluded that the adoption of these pronouncements will have no material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the disclosure requirements for financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the disclosure requirements for financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the disclosure requirements of the Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes to the financial statements rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

During the year, the Group incurred a loss for the year of approximately HK$166,594,000 for the year ended 31 December 2014. As at 31 December 2014, the Group recorded net current liabilities of approximately HK$70,911,000. As at 31 December 2014, the Company recorded net current liabilities and deficiency in shareholders' fund of approximately HK$1,159,000 and HK$95,820,000, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may not be able to realise the assets and discharge the liabilities in the normal course of business. In the opinion of the directors, the subsidiaries of the Company would declare dividends to the Company and other equity owners to improve the financial position of the Company.

Taking into account the following factors, the directors of the Company are of the view that the Group and the Company will be able to meet the financial obligations when they fall due in the foreseeable future:

(i) As at 31 December 2014, the undrawn committed banking facilities available to the Group amounted to RMB108,707,000 (equivalent to approximately HK$135,884,000) in respect of which all conditions precedent were met, out of which the banking facilities in the amount of RMB40,000,000 (equivalent to approximately HK$50,000,000) would be repayable no later than 23 September 2016;

3. BASIS OF PREPARATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

(ii) The controlling shareholder of the Company has provided shareholder's loans of approximately HK$95,661,000 to the Company and the Group on 31 December 2014 which will be repayable in 2016. The controlling shareholder has agreed in writing to provide continuing financial support for financing the working capital of the Group when needed in the foreseeable future;

(iii) The Group undertakes an extensive restructuring program to reduce operating costs which includes taking steps to reduce discretionary expenses and administrative costs; and

(iv) As further detailed in Note 43 to these financial statements, the Group entered into a conditional disposal agreement and conditional supplemental agreements with an independent third party in January and February 2015 in connection with a disposal of an associate of the Group, which will principally own a property located in the PRC after undergoing an asset separation arrangement before the completion of the disposal, in the cash consideration of approximately RMB170,235,000, equivalent to approximately HK$212,793,000, upon completion. The estimated net proceeds after deducting the related professional fees, outgoings and taxes are approximately HK$185,900,000. Partial consideration in the aggregate amount of approximately RMB90,000,000, equivalent to approximately HK$112,500,000, was received in cash as of the date of this report. In the opinion of the directors of the Company, the disposal will be completed within twelve months from the date of this report. Upon completion of the disposal, the Group shall receive the remaining estimated net proceeds of approximately HK$73,400,000. The Company intends to use the net proceeds from the disposal for reducing the borrowings of the Group and as funding for general working capital purpose. As at the date of this report, the Company does not have any specific investment plan which requires the use of the net proceeds from the disposal.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group and the Company be unable to continue in business as a going concern, adjustments would have been made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not yet been reflected in the financial statements.

3. BASIS OF PREPARATION *(continued)*

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

(c) Associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

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

(d) Property, plant and equipment

The buildings component of owner-occupied leasehold properties is stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of property revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the property revaluation reserve.

Upon disposal, the relevant portion of the property revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to accumulated losses.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	Over the lease terms ranging from 30 to 50 years
Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Moulds, dies, test fixtures and pins	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(i) Financial assets (continued)

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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 financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Financial liabilities

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw materials are valued at cost on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates to the actual cost determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) 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 rebate, discounts and related taxes. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Tooling income is recognised when the relevant services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(j) Income taxes

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Income taxes *(continued)*

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

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

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of non-current monetary items forming part of the Group's net investment in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plans

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

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment; interests in leasehold land held for own use under operating leases; and investments in subsidiaries and associates to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Government grants

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

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(p) Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Key sources of estimation uncertainty

(a) Estimation of useful lives of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account the estimated residual values. The estimated useful lives are based on the expected lives of those property, plant and equipment items. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment, due to the change of commercial and technological environment, are different from their estimated useful lives, such difference will impact the depreciation charges.

(b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The determination of the recoverable amounts requires the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows are different from the original estimate, a material change in the amount of impairment may arise, further details of which are set out in Note 18.

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

Key sources of estimation uncertainty *(continued)*

(c) Fair value measurement of buildings

As detailed in Note 18, the buildings were measured at their fair values at the end of the reporting period using the depreciated replacement cost approach by an independent firm of professionally qualified valuers or agreed selling price where available.

The fair value measurement of the Group's buildings utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

Further detailed information in relation to the fair value measurement of the revalued buildings is set out in Note 18.

(d) Impairment loss on trade receivables

The policy for impairment loss on trade receivables of the Group is based on the evaluation of collectability and the ageing analysis of the trade receivables and on management's judgment. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required, further details of which are set out in Note 23.

6. SEGMENT INFORMATION

(a) Reportable segments

No segment information is presented as the manufacture and sale of printed circuit boards is the only operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one reportable operating segment with the segment revenue, segment results, segment assets and segment liabilities the same as the revenue, loss for the year, total assets and total liabilities respectively as reported in the consolidated financial statements.

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers *(Note)*		**Specified non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**52,008**	54,328	**10,546**	13,427
The PRC	**69,687**	105,506	**604,094**	681,926
Singapore	**135,555**	217,817	**—**	—
Thailand	**90,596**	107,009	**—**	—
Malaysia	**89,247**	135,426	**—**	—
Europe	**104,072**	64,505	**—**	—
United States of America	**22,105**	18,213	**—**	—
Taiwan	**10,869**	10,404	**—**	—
Korea	**21,608**	1	**—**	—
Others	**14,593**	7,163	**—**	—
Total	**558,332**	666,044	**604,094**	681,926
	610,340	720,372	**614,640**	695,353

Note:

Revenues are attributed to countries on the basis of the customer's location.

6. SEGMENT INFORMATION *(continued)*

(c) Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group is as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**157,622**	119,104
Customer B	**N/A***	143,523

* Revenue from Customer B during the year ended 31 December 2014 contributed less than 10% of the total sales of the Group.

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold to external customers, less returns, rebate, discounts and related taxes, if any, during the year.

8. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	**306**	435
Government grants *(Note)*	**3,371**	3,955
Tooling income	**5,280**	3,751
Insurance claims	**—**	162
Others	**3,288**	2,059
	12,245	10,362

Note:

The government grants mainly represent reimbursement of export credit insurance paid under a concession policy in Guangdong province, the PRC.

9. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Write-off of other receivables	—	(2,143)
Write-back of other payables and accruals	—	8,853
Net exchange gains/(losses)	**10,128**	(11,209)
(Impairment loss)/reversal of impairment loss on trade receivables *(Note 23)*	**(1,673)**	1,251
Net gain on disposal of property, plant and equipment	**1,044**	536
Gain/(loss) on revaluation of property, plant and equipment *(Note 18)*	**7,151**	(35,000)
Impairment loss on property, plant and equipment *(Note 18)*	**(50,000)**	—
Others	**(2,521)**	—
	(35,871)	(37,712)

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**7,482**	11,984
Shareholder's loans	**6,991**	7,135
Obligation under finance leases	**426**	84
	14,899	19,203

11. LOSS BEFORE INCOME TAX EXPENSE

This is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration		
— Current year	**930**	880
— Under-provision in prior years	**160**	430
— Others	**280**	201
	1,370	1,511
Cost of inventories recognised as expenses	**600,317**	621,357
Write-down/(reversal of write-down) of inventories *(Note)*	**723**	(3,472)
Staff costs *(Note 12)*	**167,811**	174,098
Depreciation of property, plant and equipment	**33,438**	35,286
Release of payments for leasehold land held for own use under operating leases	**587**	586
Minimum lease payments under operating leases on land and buildings	**5,296**	5,604

Note:

The reversal of write-down of inventories for the year ended 31 December 2013 arose from an increase in net realisable value which was caused by the increase in actual scrap value.

12. STAFF COSTS

	2014	2013
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration *(Note 13)*) comprise:		
Wages and salaries	**145,166**	151,642
Contributions to retirement benefits scheme	**15,237**	16,183
Other staff benefits	**7,408**	6,273
	167,811	174,098

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
2014				
Executive director:				
Cheok Ho Fung	**—**	**5,433^**	**155**	**5,588**
Non-executive directors:				
Tang Yok Lam, Andy	**120**	**—**	**—**	**120**
Ng Kwok Ying, Alvin (Deceased on 13 October 2014)	**100**	**—**	**—**	**100**
	220	**—**	**—**	**220**
Independent non-executive directors:				
Leung Shu Kin, Alfred	**120**	**—**	**—**	**120**
Wong Wing Kee	**120**	**—**	**—**	**120**
Ng Kee Sin	**120**	**—**	**—**	**120**
	360	**—**	**—**	**360**
Total	**580**	**5,433**	**155**	**6,168**
2013				
Executive director:				
Cheok Ho Fung	—	5,195^	155	5,350
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
	240	—	—	240
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
	360	—	—	360
Total	600	5,195	155	5,950

^ Included in the amount is rental and management fee paid for director's quarter to a company beneficially owned by Mr Cheok Ho Fung.

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

Mr. Cheok Ho Fung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

No emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years. No directors waived any of their emoluments for both years.

14. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2013: one) is a director of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining four (2013: four) individuals are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**3,819**	3,699
Contributions to retirement benefits scheme	**146**	146
	3,965	3,845

Their emoluments were within the following bands:

	2014	2013
	Number of individuals	*Number of individuals*
HK$Nil to HK$1,000,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1

No emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

14. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The emoluments paid or payable to members of senior management are within the following bands:

	2014	2013
	Number of individuals	*Number of individuals*
HK$Nil to HK$1,000,000	**8**	8
HK$1,500,001 to HK$2,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**—**	1
HK$5,500,001 to HK$6,000,000	**1**	—

15. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax		
— tax for the year	**3,216**	3,291
— under-provision in respect of prior years	**79**	294
Income tax expense	**3,295**	3,585

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years. No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

15. INCOME TAX EXPENSE *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
Loss before income tax expense	**(163,299)**	(90,682)
Tax at the statutory tax rate of 25%	**(40,825)**	(22,671)
Tax effect of exemption granted to Macau subsidiary	**(99)**	(3,584)
Tax effect of income not taxable for tax purpose or subject to capital gain tax	**(2,400)**	(393)
Tax effect of expenses not deductible for tax purpose	**28,527**	27,472
Tax effect of tax losses not recognised	**4,329**	1,534
Under-provision in respect of prior years	**79**	294
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,184**	710
Tax effect of other deductible temporary differences not recognised	**12,500**	223
Income tax expense	**3,295**	3,585

16. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year attributable to owners of the Company includes an amount of loss of approximately HK$12,963,000 (2013: HK$13,574,000) which has been dealt with in the financial statements of the Company.

17. LOSS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Loss for the purpose of basic loss per share	**(161,895)**	(90,381)

	2014	2013
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,000,000,000**	1,000,000,000

Basic and diluted losses per share are equal as there is no potential dilutive ordinary share in issue for both years and as at 31 December 2013 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds, dies, test fixtures and pins HK$'000	Total HK$'000
At 31 December 2014							
At 1 January 2014							
Cost or valuation	443,851	6,845	1,188,877	38,871	7,713	6,251	1,692,408
Accumulated depreciation	(56,686)	(1,257)	(1,039,058)	(35,976)	(6,249)	(3,978)	(1,143,204)
Carrying amount	387,165	5,588	149,819	2,895	1,464	2,273	549,204
At 1 January 2014, carrying amount	387,165	5,588	149,819	2,895	1,464	2,273	549,204
Additions	—	227	14,725	478	1,564	1,033	18,027
Disposals	—	—	—	—	(45)	(221)	(266)
Depreciation provided during the year	(7,999)	(131)	(23,508)	(793)	(630)	(377)	(33,438)
Impairment loss	—	(3,000)	(47,000)	—	—	—	(50,000)
Revaluation gain	12,982	—	—	—	—	—	12,982
Exchange realignment	(10,480)	113	(4,147)	117	(25)	(19)	(14,441)
At 31 December 2014, carrying amount	381,668	2,797	89,889	2,697	2,328	2,689	482,068
At 31 December 2014							
Cost or valuation	431,879	6,898	1,139,508	39,373	8,505	6,955	1,633,118
Accumulated depreciation and impairment losses	(50,211)	(4,101)	(1,049,619)	(36,676)	(6,177)	(4,266)	(1,151,050)
Carrying amount	381,668	2,797	89,889	2,697	2,328	2,689	482,068
Analysis of cost or valuation:							
At cost	—	6,898	1,139,508	39,373	8,505	6,955	1,201,239
At 31 December 2014 valuation	431,879	—	—	—	—	—	431,879
	431,879	6,898	1,139,508	39,373	8,505	6,955	1,633,118

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

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013							
At 1 January 2013							
Cost or valuation	466,878	5,710	1,195,093	38,390	7,643	4,287	1,718,001
Accumulated depreciation	(46,509)	(1,123)	(1,036,750)	(35,394)	(5,672)	(3,789)	(1,129,237)
Carrying amount	420,369	4,587	158,343	2,996	1,971	498	588,764
At 1 January 2013, carrying amount	420,369	4,587	158,343	2,996	1,971	498	588,764
Additions	—	1,017	15,199	528	—	1,824	18,568
Disposals	—	—	(2,421)	(24)	—	—	(2,445)
Depreciation provided during the year	(8,824)	(121)	(25,137)	(458)	(568)	(178)	(35,286)
Revaluation loss	(35,000)	—	—	—	—	—	(35,000)
Exchange realignment	10,620	105	3,835	(147)	61	129	14,603
At 31 December 2013, carrying amount	387,165	5,588	149,819	2,895	1,464	2,273	549,204
At 31 December 2013							
Cost or valuation	443,851	6,845	1,188,877	38,871	7,713	6,251	1,692,408
Accumulated depreciation	(56,686)	(1,257)	(1,039,058)	(35,976)	(6,249)	(3,978)	(1,143,204)
Carrying amount	387,165	5,588	149,819	2,895	1,464	2,273	549,204
Analysis of cost or valuation:							
At cost	—	6,845	1,188,877	38,871	7,713	6,251	1,248,557
At 31 December 2013 valuation	443,851	—	—	—	—	—	443,851
	443,851	6,845	1,188,877	38,871	7,713	6,251	1,692,408

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

The Group's buildings are situated in the PRC and are held under medium lease terms. At 31 December 2014, the Group's buildings with a carrying amount of approximately HK$244,908,000 (2013: HK$256,618,000) were pledged to secure the bank loans granted to the Group.

The Group is in the process of obtaining ownership certificate of buildings with a carrying amount of approximately HK$129,917,000 (2013: HK$129,508,000) as at 31 December 2014.

As at 31 December 2014, the carrying amount of the Group's plant and machinery includes an amount of approximately HK$13,631,000 (2013: HK$4,927,000) in respect of assets acquired under finance leases.

The Group's buildings were revalued at 31 December 2013 and 2014 based on market approach and with reference to the valuation reports issued by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professionally qualified valuers. DTZ's valuation reports used depreciated replacement cost approach which is arrived at using the aggregate amount of the new replacement cost of the buildings, from which appropriate deductions may then be made to allow for the age, condition, functional obsolescence and environmental factor, or agreed selling price where available. The market approach was with reference to the agreed selling price of a portion of a property of the Group (Note 26).

For the year ended 31 December 2014, a revaluation gain of approximately HK$5,831,000 (2013: HK$Nil) on one of the Group's buildings has been recognised in other comprehensive income and credited to property revaluation reserve.

In addition, a revaluation gain of approximately HK$7,151,000 on a property located in Tongliao, the PRC, has been recognised in profit or loss included in other gains and losses as a revaluation loss of HK$35,000,000 on the property was previously charged to profit or loss in prior year. The fair value was estimated using a market approach with reference to the agreed selling price for a portion of a property of the Group.

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

The following table presents the fair values of the Group's buildings measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	2014	2013
	HK$'000	*HK$'000*
Level 2	**129,917**	129,508
Level 3	**251,751**	257,657
	381,668	387,165

A reconciliation of the opening and closing fair value balance of Level 3 recurring fair value measurement is provided below:

	2014	2013
	HK$'000	*HK$'000*
Opening balance (Level 3 recurring fair value)	**257,657**	256,510
Depreciation provided for the year	**(5,340)**	(5,334)
Revaluation gain	**5,831**	—
Exchange realignment	**(6,397)**	6,481
Closing balance (Level 3 recurring fair value)	**251,751**	257,657

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

The following table gives information about how the fair value of the Group's buildings are determined, as well as the fair value hierarchy into which the fair value measurement is categorised, based on the degree to which the inputs to the fair value measurement is observable.

As at 31 December 2014

Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable inputs for fair value	Range
Level 3	Depreciated replacement cost approach	New replacement costs per square metre are determined using estimated new replacement cost per square metre of the buildings, and adjusted to reflect the age, condition, functional obsolescence and environmental factor	The increase in the new depreciated replacement costs per square metre would result in a increase in fair value	RMB1,689 to RMB3,899 per square metre
Level 2	Market approach	N/A	N/A	N/A

As at 31 December 2013

Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable inputs for fair value	Range
Level 3	Depreciated replacement cost approach	New replacement costs per square metre are determined using estimated new replacement cost per square metre of the buildings, and adjusted to reflect the age, condition, functional obsolescence and environmental factor	The increase in the new depreciated replacement costs per square metre would result in a increase in fair value	RMB1,326 to RMB3,060 per square metre
Level 2	Market approach	N/A	N/A	N/A

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

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the Group's buildings been stated at historical cost less accumulated depreciation and impairment losses (if any), their carrying amount as at 31 December 2014 would have been approximately HK$368,686,000 (2013: HK$387,165,000).

The trend in reducing world-wide demand for personal computers led to reduction in the demand for their ancillary parts and equipment which are the Group's major products supplied to customers, leading to a substantial reduction of the Group's revenue for the year ended 31 December 2014. Certain items of property, plant and equipment and payments for leasehold land held for own use under operating leases (the "Relevant Assets") which relate to the manufacture and sale of printed circuit boards business and also constitute a smallest cash-generating unit ("CGU"), were assessed for impairment. The recoverable amount of the CGU has been determined to be approximately HK$368,000,000 by the directors of the Company with reference to a value-in-use calculation, using cash flow projection based on estimates and financial budgets approved by the management. These projections cover a 5-year period and extrapolate cash flows beyond such projection period using an estimated growth rate of 2%, and have been discounted using a pre-tax discount rate of 13%. All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for market development. In view of the carrying amount of the Relevant Assets being higher than the recoverable amount of this CGU, the Relevant Assets were written down to the recoverable amount, with impairment loss of approximately HK$50,000,000 of which HK$3,000,000 and HK$47,000,000 are attributable to the leasehold improvements and plant and machinery, respectively, which were recognised in profit or loss under other gains and losses in the current year.

19. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payments for leasehold land held for own use under operating leases comprise of land use rights in the PRC on a medium lease terms:

	2014	2013
	HK$'000	*HK$'000*
Analysed for reporting purpose as		
Current assets	**582**	597
Non-current assets	**22,131**	23,295
	22,713	23,892

As at 31 December 2014, certain of the Group's land use rights with a carrying amount of approximately HK$4,377,000 (2013: HK$4,628,000) was pledged to secure the bank loans granted to the Group.

20. INTERESTS IN ASSOCIATES

	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost		
— *Note (a)*	**—**	4,496
— *Note (b)*	**111,521**	111,521
	111,521	116,017
Share of post-acquisition change in net assets	**(2,078)**	2,663
Impairment loss recognised	**(40)**	(100)
	109,403	118,580
Amount due from an associate	**—**	24
Amount due to an associate	**—**	(4,390)

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

20. INTERESTS IN ASSOCIATES *(continued)*

Notes:

(a) At 31 December 2013, the cost of investments in unlisted associates included an investment of called-up share capital of Topsearch iService HK (defined below) of HK$4,396,000 but not yet paid. Pursuant to the Group's acquisition of the remaining equity interest during the year, Topsearch iService HK became a wholly-owned subsidiary at the end of the reporting period. The carrying value of its attributable net assets approximates the fair value, and there is no material difference between the acquisition consideration and the fair value of its net attributable assets.

(b) The Group entered into a conditional disposal agreement and conditional supplemental agreements with an independent third party to dispose of the Group's entire 30% equity interest in Topsearch Shenzhen (defined below) after the end of the reporting period. The disposal has not been completed at the date of this report. Further details are set out in Notes 3(b)(iv) and 43.

(c) Particulars of the Group's associates during the year ended 31 December 2014 are set out below:

Name	Place of incorporation or establishment and operation	Form of legal entity	Issued share capital/paid-up registered capital	Percentage of ownership interest indirectly held by Group		Principal activities
				2014	2013	
Topsearch iService Information Technology (HK) Limited ("Topsearch iService HK")	Hong Kong	Corporation	Ordinary shares RMB20,000	**100%** *(Note (a))*	36%	Inactive
Topsearch Printed Circuits (Shenzhen) Ltd ("Topsearch Shenzhen")	PRC	Sino-foreign equity joint venture	Registered capital US$50,000,000	**30%**	30%	Property investment

20. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(d) Summarised financial information (material associate)

Topsearch Shenzhen

	2014	2013
	HK$'000	*HK$'000*
As at 31 December		
Current assets	**245,795**	308,499
Non-current assets	**601,126**	481,123
Current liabilities	**(436,322)**	(363,219)
Non-current liabilities	**—**	—
Included in the above amounts are:		
Bank balances and cash	**152**	60,102
Year ended 31 December		
Revenue	**—**	—
Loss for the year	**(17,371)**	(2,421)
Other comprehensive income	**—**	—
Total comprehensive income	**(17,371)**	(2,421)

(e) Summarised financial information (immaterial associate)

Topsearch iService HK

	2014	2013
	HK$'000	*HK$'000*
Year ended 31 December		
Profit or loss for the year	**—**	—
Other comprehensive income	**—**	—
Total comprehensive income	**—**	—

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	HK$'000	HK$'000
Club debentures, at fair value	**1,857**	1,857

The fair values of the club debentures are based on recent transaction prices.

22. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials and consumables	**48,067**	45,407
Work in progress	**19,180**	14,741
Finished goods	**47,948**	51,118
	115,195	111,266
Less: Allowance for obsolete inventories	**(19,109)**	(19,094)
	96,086	92,172

23. TRADE RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Trade receivables	**103,945**	132,903
Less: Allowance for doubtful debts	**(1,727)**	(6,870)
	102,218	126,033

23. TRADE RECEIVABLES *(continued)*

The Group's trade receivables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2014	2013
	HK$'000	*HK$'000*
Denominated in United States dollars	**97,975**	123,034

Customers are generally granted with credit terms of 30 to 120 days. The ageing analysis of trade receivables based on invoice date (net of allowance for doubtful debts) at the end of reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 — 30 days	**41,311**	47,852
31 — 60 days	**38,842**	53,158
61 — 90 days	**19,999**	21,439
Over 90 days	**2,066**	3,584
	102,218	126,033

As at 31 December 2014, trade receivables of approximately HK$81,101,000 (2013: HK$101,344,000) are neither past due nor impaired. Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

23. TRADE RECEIVABLES *(continued)*

The ageing of trade receivables (net of allowance for doubtful debts) which are past due but not impaired is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 — 30 days past due	**18,510**	20,550
31 — 90 days past due	**2,607**	4,139
	21,117	24,689

Trade receivables that were past due but not impaired related to customers that have good creditworthiness or good track record with the Group. Based on past experience, the management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable. The Group does not hold any collateral over these balances.

The movement in the impairment loss on trade receivables during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
At beginning of the year	**6,870**	8,491
Impairment loss/(reversal of impairment loss) on trade receivables	**1,673**	(1,251)
Bad debts written off	**(6,811)**	(370)
Exchange realignment	**(5)**	—
At end of the year	**1,727**	6,870

The Group recognised impairment loss on individual assessment based on the accounting policy stated in Note 4(g)(ii).

24. BANK BALANCES AND CASH

At 31 December 2014, bank balances carry interest at prevailing deposit rates which range from 0.001% to 0.35% (2013: 0.001% to 0.35%) per annum. During the year ended 31 December 2013, the pledged bank deposits carry interest at prevailing deposit rates of 3.0%. The pledged bank deposits were released during the year ended 31 December 2013.

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

	2014	2013
	HK$'000	*HK$'000*
Denominated in Hong Kong dollars	**134**	620
Denominated in Renminbi	**1,903**	11,148
Denominated in United States dollars	**55,463**	58,362
Denominated in Euro dollars	**141**	568
Denominated in Great British Pound	**605**	—

25. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
0 — 30 days	**41,320**	54,289
31 — 60 days	**39,644**	32,068
61 — 90 days	**28,216**	37,174
Over 90 days	**70,956**	32,851
	180,136	156,382

25. TRADE PAYABLES *(continued)*

The Group's trade payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2014	2013
	HK$'000	*HK$'000*
Denominated in United States dollars	**82,085**	67,851

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are accruals for payroll and payroll related costs, utility charges and general administrative expenses, purchases of spare parts and a deposit of approximately RMB30,000,000 (equivalent to approximately HK$37,500,000 (2013: RMB30,000,000 (equivalent to HK$38,462,000)) in respect of a property assignment transaction described below.

On 31 December 2010, the Group entered into a property assignment agreement (the "Property Assignment Agreement") with an independent third party (the "Purchaser"), to sell a portion of a parcel of industrial land and buildings (the "Property"), which are located in phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC for a consideration of RMB51,000,000 (equivalent to HK$59,302,000).

As of 31 December 2011, a deposit of RMB20,000,000 (equivalent to HK$24,691,000) was received whilst the transaction was suspended due to delay of financing arrangement with a bank for a loan by the Purchaser for settlement of the remaining consideration. The directors of the Company believed that the aforesaid remaining consideration balance of RMB31,000,000 would be settled in full, taking into consideration the statements given by the local government bodies of Tongliao dated 21 March 2012 that they would pay directly to the Group's subsidiary in Tongliao.

During the year ended 31 December 2012, a further deposit of RMB10,000,000 (equivalent to HK$12,500,000) was received from local government bodies of Tongliao.

26. OTHER PAYABLES AND ACCRUALS *(continued)*

In the opinion of the directors, the Group is in the process of completing the transaction and there are ongoing negotiations between the Group, the Purchaser and local government bodies of Tongliao during the year. Moreover, the directors of the Company considered that the Property Assignment Agreement continues to be legally enforceable based on the legal advice from the Group's legal counsel.

At 31 December 2014 and 2013, the Property is currently idle and included in payments for leasehold land held for own use under operating leases and property, plant and equipment with carrying amounts of approximately RMB5,987,000 (equivalent to approximately HK$7,484,000) (2013: RMB6,148,000 (equivalent to HK$7,882,000)) and approximately RMB45,013,000 (equivalent to approximately HK$56,266,000) (2013: RMB40,320,000 (equivalent to HK$51,692,000)) respectively. In the opinion of the directors, no reclassification of the Property to non-current asset held for sale in the consolidated financial statements was made as it is not highly probable that the transaction will be completed in the next twelve months from the end of the reporting period.

27. OBLIGATION UNDER FINANCE LEASES

The Group leases certain plant and machinery items. Such assets are generally classified as finance leases as the ownership of the assets will be transferred to the Group by the end of the lease terms.

Future lease payments are due as follows:

	Minimum lease payments 2014 *HK$'000*	Interest 2014 *HK$'000*	Present value 2014 *HK$'000*
Not later than one year	**4,558**	**463**	**4,095**
Later than one year and not later than five years	**3,214**	**202**	**3,012**
	7,772	**665**	**7,107**

27. OBLIGATION UNDER FINANCE LEASES *(continued)*

	Minimum lease payments 2013 *HK$'000*	Interest 2013 *HK$'000*	Present value 2013 *HK$'000*
Not later than one year	1,692	233	1,459
Later than one year and not later than five years	2,105	149	1,956
	3,797	382	3,415

The present value of future lease payments are analysed as:

	2014 **HK$'000**	2013 *HK$'000*
Current liabilities	**4,095**	1,459
Non-current liabilities	**3,012**	1,956
	7,107	3,415

The Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

28. INTEREST-BEARING BANK LOANS

	2014 **HK$'000**	2013 *HK$'000*
Secured bank loans repayable:		
within one year	**101,616**	101,550
in the second year	**75,000**	—
	176,616	101,550

28. INTEREST-BEARING BANK LOANS *(continued)*

The bank loans of the Group are secured by certain buildings and payments for leasehold land held for own use under operating leases held by the Group, the assignment of the Group's trade receivables of approximately HK$91,832,000 (2013: HK$90,349,000) and corporate guarantee of the Company. Bank loans of approximately HK$75,000,000 (2013: HK$63,088,000) carried floating interest rates and the effective interest rate is 6.15% (2013: ranged from 2.51% to 3.55%) per annum. The remaining bank loans carried fixed interest rates ranging from 1.53% to 6% (2013: 6.00%) per annum.

The Group's bank loans that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2014	2013
	HK$'000	*HK$'000*
Denominated in United States dollars	**64,116**	63,088

29. SHAREHOLDER'S LOANS

	The Group and the Company	
	2014	2013
	HK$'000	*HK$'000*
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 January 2016 (2013: 2 January 2015)	**95,661**	101,757

The shareholder's loans were advanced by Mr. Cheok Ho Fung, a director and controlling shareholder of the Company.

The shareholder's loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014	2013
	HK$'000	*HK$'000*
Denominated in Renminbi	**4,150**	4,256
Denominated in United States dollars	**643**	3,650

30. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Impairment of property, plant and equipment *HK$'000*	Total *HK$'000*
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	**3,185**	**(1,588)**	**(1,597)**	**—**

The Group has unused tax losses arising in the PRC of HK$53,968,000 (2013: HK$37,340,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

At the end of the reporting period, the Group has deductible temporary differences of HK$168,140,000 (2013: HK$121,168,000) in respect of the allowance for obsolete inventories and impairment of property, plant and equipment. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. There is no profit of the PRC subsidiaries available for distribution subject to the withholding tax.

As at 31 December 2014 and 2013, the Group and the Company did not have other material unrecognised deferred tax.

31. SHARE CAPITAL

The Company

	Number of ordinary shares of HK$0.1 each	
	('000)	*HK$'000*
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	2,000,000	200,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	1,000,000	100,000

32. RESERVES

The Group

Details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013	337,854	(542,944)	(205,090)
Profit for the year	—	3,165	3,165
At 31 December 2013 and 1 January 2014	**337,854**	**(539,779)**	**(201,925)**
Profit for the year	**—**	**6,105**	**6,105**
At 31 December 2014	**337,854**	**(533,674)**	**(195,820)**

33. INVESTMENTS IN SUBSIDIARIES

	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,000**	1,000

As at 31 December 2014 and 2013, the directors assessed that the recoverable amount of the investments in subsidiaries is not less than the carrying amount reflected in the Company's statement of financial position, and accordingly no provision for impairment is required.

Particulars of the principal subsidiaries as at 31 December 2014 are set out below:

Name	**Place of incorporation or establishment/ operations**	**Issued share capital/ paid-up registered capital**	**Attributable equity interest held by the Company**		**Principal activities**
			Directly	**Indirectly**	
Topsearch Industries (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary Shares US$50,000	100%	—	Investment holding
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary shares HK$1,000 Deferred non-voting* HK$20,000,000	—	100%	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary shares HK$10,000,000	—	100%	Investment holding
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary shares Macau Pataca100,000	—	100%	Sale of printed circuit boards
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares Singapore dollars1,000	—	100%	Provision of marketing services

33. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation or establishment/ operations	Issued share capital/ paid-up registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Shares US$50,000	—	100%	Investment holding
Topsearch Excelio Investment (HK) Limited	Hong Kong	Ordinary shares HK$1	—	100%	Investment holding
至卓飛高線路板(曲江）有限公司@	The PRC	Registered capital US$99,000,000	—	100%	Manufacture of printed circuit boards
至卓飛高線路板(通遼）有限公司@	The PRC	Registered capital US$28,300,122	—	100%	Manufacture of printed circuit boards
至卓飛高進出口貿易(深圳)有限公司@	The PRC	Registered capital HK$500,000	—	100%	Sale of printed circuit boards
Topsearch Technologies Investment (Holdings) Limited	Hong Kong	Ordinary shares HK$2	—	100%	Investment holding
Topsearch iService Investment Limited	Hong Kong	Ordinary shares HK$1	—	100%	Investment holding
Excelio Technology (Hong Kong) Company Limited	Hong Kong	Ordinary shares HK$10,000,000	—	60%	Investment holding

33. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation or establishment/ operations	Issued share capital/ paid-up registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Excelio Company Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	—	60%	Integrated circuit design
卓捷創芯科技(深圳)有限公司@	The PRC	Registered capital RMB10,000,000	—	60%	Product research and development
無錫智速科技有限公司@	The PRC	Registered capital RMB1,500,000	—	60%	Product research and development
至卓飛高企業管理咨詢服務(韶關)有限公司@	The PRC	Registered capital HK$1,000,000	—	100%	Provision of information system management services
Citilite Pride Limited	Hong Kong	Ordinary shares HK$2,000,000	—	100%	Investment holding

* The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital upon winding-up unless a sum of HK$500,000,000,000,000 has been distributed to each of the holders of the ordinary shares.

@ Registered as wholly-foreign-owned enterprises under the PRC law.

None of the subsidiaries had issued any debt securities as at 31 December 2014 or at any time during the year.

The above tables list the subsidiaries of the Company which, in the opinion of the directors of the Company, principally comprised the Group's assets or results. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

34. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**4,055**	3,430
In the second to fifth years inclusive	**3,017**	1,620
	7,072	5,050

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases were negotiated for terms ranging from one to three years with fixed rentals over the terms of the leases.

35. CAPITAL AND OTHER COMMITMENTS

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
Construction of factory buildings	**91**	500
Acquisition of plant and machinery	**160**	5,087
	251	5,587

36. OTHER COMMITMENTS

As at 31 December 2013, the Company had commitment to contribute further capital of HK$9,069,000 to a subsidiary in the PRC. There is no other commitment as at 31 December 2014.

37. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 30 May 2002 and became effective on 21 June 2002 and unless otherwise cancelled or amended, would remain in force for 10 years from that date. The share option scheme was expired in prior years without renewal. At the end of the reporting period, no share option was outstanding under the share option scheme (2013: Nil).

38. RELATED PARTIES TRANSACTIONS

(a) In addition to the related party balances and transactions set out in other notes to the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

Related party	Nature of transaction	2014 *HK$'000*	2013 *HK$'000*
Keentop Investment Limited ("Keentop") *(Note (i))*	Rental expenses and management fee expense	**2,112**	2,099
Mr. Cheok Ho Fung	Interest on shareholder's loans	**6,991**	7,135

Notes:

(i) The amounts paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 1 June 2011, the monthly rental and management fees were revised to HK$165,000 and HK$9,900, respectively, for the period from 1 June 2011 to 31 May 2014. The tenancy agreement was renewed on 28 May 2014 for three years from 1 June 2014 to 31 May 2017 under the same terms and conditions except that the monthly management fee was increased to HK$11,390 (subject to adjustment). The fees were based on a market rental valuation provided by DTZ. Further details are set out in the Company's announcement dated 28 May 2014.

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

	2014 *HK$'000*	2013 *HK$'000*
Within one year	**1,980**	825
In the second to fifth years inclusive	**2,805**	—
	4,785	825

This related party transaction constitutes a continuing connected transaction under the Listing Rules.

(ii) In prior year, service fee expense of HK$697,000 was charged by a company owned by the non-controlling equity owners of the Company's non-wholly-owned subsidiary, Excelio Technology (Hong Kong) Company Limited. The service fee was charged on mutually agreed terms. There is no service fee charged in the year ended 31 December 2014.

38. RELATED PARTIES TRANSACTIONS *(continued)*

(b) Details of the compensation of key management personnel of the Group were as follows:

	2014	2013
	HK$'000	*HK$'000*
Short-term benefits	**9,832**	9,494
Post-employment benefits	**301**	301
	10,133	9,795

(c) During the year, the Group has acquired 100% interest in a company (the "Target") from the controlling shareholder and ultimate holding company at approximately HK$1,500,000, which approximated the fair value of the attributable net assets of the Target and its subsidiary as at the date of acquisition. The Target is engaged in investment holding of a dormant subsidiary as at the date of acquisition and 31 December 2014.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(a) Categories of financial assets and financial liabilities

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including bank balances and cash), at amortised cost	**203,455**	219,243
Available-for-sale financial assets, at fair value	**1,857**	1,857
Financial liabilities		
Financial liabilities, at amortised cost	**503,628**	422,829

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(continued)*

(b) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets which are traded on active markets are determined with reference to quoted market bid prices; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities; 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); and Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, intra-group companies balances, trade payables, pledged bank deposits, bank balances and bank loans at the end of the reporting period, are as follows:

	2014	2013
	HK$'000	*HK$'000*
Assets		
United States dollars	**153,438**	181,396
Renminbi	**1,903**	11,148
Hong Kong dollars	**134**	620
Euro dollars	**141**	568
Great British Pound	**605**	—
Liabilities		
Renminbi	**4,110**	4,256
United States dollars	**146,844**	137,589

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

(i) Currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, against relevant foreign currencies, mainly United States dollars and Renminbi. The directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars against Hong Kong dollars is low as Hong Kong dollars are pegged to United States dollars. In addition, the monetary assets denominated in Euro dollars and Hong Kong dollars are not significant and the directors of the Company consider that the Company's exposure to the currency of Euro dollars and Hong Kong dollars are minimal. As a result, the following sensitivity table does not include the impact of such changes. 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 currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates.

A negative number below indicates an increase in loss for the year when the functional currencies strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the results for the year.

	2014	2013
	HK$'000	*HK$'000*
United States dollars		
(Increase)/decrease in loss for the year	**(2,295)**	2,401
Renminbi		
(Increase)/decrease in loss for the year	**(93)**	287

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans and shareholder's loans.

The Group is also exposed to cash flow interest rate risk in relation to the Group's bank balances and bank borrowings with floating interest rates. The directors of the Company monitor the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise. No derivative contracts have been entered into during both years.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial liabilities. The analysis is prepared assuming the financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. 300 basis points (2013: 300 basis points) are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 300 basis points (2013: 300 basis points) higher and all other variables were held constant, the Group's loss for the year ended 31 December 2014 would increase by HK$1,688,000 (2013: HK$1,419,000).

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China lending rate arising from the Group's bank borrowings. In the opinion of directors of the Company, no sensitivity analysis for bank balances is prepared as the effect of fluctuation of interest rate is not significant.

(iii) Credit risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group mainly trades with recognised and creditworthy third parties. It is the Group's policy that credit terms are granted subject to in-depth credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and substantially covered by credit insurance. In this regard, management considers that the Group's credit risk is minimal.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

(iii) Credit risk *(continued)*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Since the Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral.

The Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

The Group also has concentration of credit risk as 28% (2013: 48%) of the total trade receivables which were due from the Group's two largest customers.

(iv) Liquidity risk

The Group is exposed to significant liquidity risk at the end of the reporting period, as it has net current liabilities of approximately HK$70,911,000 (2013: HK$40,000,000). The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms. The Group also relies on the continuous financial support from the banks and the Company's controlling shareholder and the management closely monitors its liquidity risk. Accordingly, the directors of the Company considered that the Group's liquidity risk is properly addressed and therefore prepared the consolidated financial statements on a going concern basis.

The following table details the remaining contractual maturity at the end of the reporting period of the Group's non-derivative financial liabilities, which are 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

(iv) Liquidity risk *(continued)*

	Weighted average interest rate %	Within 1 year or on demand *HK$'000*	1 to 5 years *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
2014					
Trade payables	**—**	**180,136**	**—**	**180,136**	**180,136**
Other payables	**—**	**44,108**	**—**	**44,108**	**44,108**
Interest-bearing bank loans	**4.12**	**107,256**	**76,738**	**183,994**	**176,616**
Obligation under finance leases	**—**	**4,558**	**3,214**	**7,772**	**7,107**
Shareholder's loans	**7**	**6,696**	**95,698**	**102,394**	**95,661**
		342,754	**175,650**	**518,404**	**503,628**

	Weighted average interest rate %	Within 1 year or on demand *HK$'000*	1 to 5 years *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
2013					
Trade payables	—	156,382	—	156,382	156,382
Other payables	—	55,335	—	55,335	55,335
Interest-bearing bank loans	4.04	102,576	—	102,576	101,550
Amount due to an associate	—	4,390	—	4,390	4,390
Obligation under finance leases	—	1,692	2,105	3,797	3,415
Shareholder's loans	7	7,123	101,796	108,919	101,757
		327,498	103,901	431,399	422,829

41. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2014.

The Group monitors its capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio of not more than 80%. Net debt includes trade payables, other payables and accruals, amount due to an associate, interest-bearing bank loans, shareholder's loans and obligation under finance leases, less bank balances and cash. Capital represents total equity. The gearing ratios as at the end of the reporting period were as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Trade payables	**180,136**	156,382
Other payables and accruals	**100,499**	107,811
Amount due to an associate	**—**	4,390
Interest-bearing bank loans	**176,616**	101,550
Shareholder's loans	**95,661**	101,757
Obligation under finance leases	**7,107**	3,415
Less: Bank balances and cash	**(94,722)**	(85,872)
Net debt	**465,297**	389,433
Total capital	**371,913**	553,497
Total capital and net debt	**837,210**	942,930
Gearing ratio	**56%**	41%

42. RETIREMENT BENEFIT SCHEMES

Hong Kong

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

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner for both years.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees subject to a limit of HK$1,500 since 1 June 2014.

The PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local governments in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

43. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 8 January 2015, the Group entered into a conditional disposal agreement and conditional supplemental agreement (collectively the "Agreements") with an independent third party (the "Buyer"), pursuant to which the Group conditionally agreed to sell and the Buyer conditionally agreed to buy the Group's entire 30% equity interest in Topsearch Shenzhen at a cash consideration of approximately RMB170,235,000, equivalent to approximately HK$212,793,000 (the "Disposal"). According to the Agreements, Topsearch Shenzhen, after undergoing an asset separation arrangement before the completion of the Disposal, will principally own a property located in the PRC.

On 2 February 2015, the Group entered into second conditional supplemental agreement with the Buyer concerning the amendment of manner of payment in connection with the Disposal.

43. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD *(continued)*

The estimated net proceeds after deducting the related professional fees, outgoings and taxes are approximately HK$185,900,000. Partial consideration in the aggregate amount of approximately RMB90,000,000, equivalent to approximately HK$112,500,000, was received in cash as of the date of this report. The Company intends to use the net proceeds from the Disposal for reducing the borrowings of the Group and as funding for general working capital purpose. As at the date of this report, the Company does not have any specific investment plan which requires the use of the net proceeds from the Disposal.

Further details are set out in the announcements of the Company dated 21 January 2015 and 9 February 2015. The Disposal has not been completed as at the date of this report.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2015.

Five-Year Financial Summary

31 December 2014

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**610,340**	720,372	817,004	1,135,320	1,210,340
(Loss)/profit for the year before income tax expense	**(163,299)**	(90,682)	98,210	(422,019)	(69,513)
Income tax expense	**(3,295)**	(3,585)	(4,557)	(17,608)	2,683
(Loss)/profit for the year	**(166,594)**	(94,267)	93,653	(439,627)	(66,830)
(Loss)/profit attributable to:					
Owners of the company	**(161,895)**	(90,381)	96,341	(438,996)	(66,830)
Non-controlling interests	**(4,699)**	(3,886)	(2,688)	(631)	—
Assets and liabilities					
Total assets	**932,068**	1,028,802	1,434,886	1,432,132	1,756,966
Total liabilities	**(560,155)**	(475,305)	(811,427)	(821,365)	(757,906)
Total net assets	**371,913**	553,497	623,459	610,767	999,060