VARITRONIX

Piloting the Seas

Annual Report 2014

Varitronix International Limited
Stock Code 710

5th HONG KONG CORPORATE CITIZENSHIP PROGRAM

Varitronix presented with Volunteering Team Silver Award

HKCC 第五屆香港傑出企業公民銀獎
The 5th HK Outstanding Corporate Citizenship Silver Award
義工隊 Volunteer Team

The 5th Hong Kong Corporate Citizenship Program is co-organised by the Hong Kong Productivity Council (HKPC) and the Committee on the Promotion of Civic Education (CPCE). The Program aims to raise public awareness regarding corporate citizenship by organising a series of activities that encourage corporations to fulfill social responsibilities. The Varitronix Social Service Team was presented with the Silver Award in the Volunteering Team Category.

Since 2013, the Varitronix Social Service Team has been collaborating with ELCHK Sheung Tak Integrated Youth Service Centre in a program designed to help youngsters from South Asia who live in Hong Kong. Through a mentorship scheme, the young South Asian people in Tseung Kwan O have an opportunity to get to understand the local culture and extend their horizons in life. Additionally, classes are held to improve the Chinese capabilities of this particular group. The Varitronix Social Service Team has identified young South Asians as its long-term service target group. A three-year plan has been established to help these youngsters to build a more positive image for themselves by developing their natural talents.

Content

Chairman's Statement

Highlights		
HK$ million	**2014**	2013
Turnover	**2,613**	2,604
EBITDA[1]	**395**	459
Profit Attributable to Shareholders	**250**	243
Cash and Fixed Deposits Balance	**575**	555
Basic Earnings per Share	**76.5 HK cents**	74.7 HK cents
Total Dividend per Share	**42.0 HK cents**	50.0 HK cents

[1] EBITDA means profit for the year plus the following to the extent deducted in calculating such profit for the year: finance costs, income tax, depreciation, impairment and loss on disposal of non-listed available-for-sale equity securities and associated loans receivable.

On behalf of Varitronix International Limited (the "Company") and its subsidiaries ("Varitronix" or the "Group"), I present the Group's results for the year ended 31 December 2014.

During the year under review, turnover of HK$2,613 million was recorded, similar to the HK$2,604 million recorded in 2013. EBITDA[1] was HK$395 million, 14% lower than the HK$459 million recorded for the previous year. Profit attributable to shareholders was HK$250 million, compared to HK$243 million in 2013, representing an increase of 3%.

As at 31 December 2014, the cash and fixed deposits balance of the Group was HK$575 million, compared to HK$555 million at the end of 2013. The Group's gearing ratio, being total bank loans over net assets, was 13% as at 31 December 2014, lower than the 17% recorded in the previous year.

DIVIDENDS

The Board of Directors (the "Board") has recommended a final dividend of 30.0 HK cents per share (2013: 38.0 HK cents). Together with the interim dividend of 12.0 HK cents (2013: 12.0 HK cents), the total dividend for 2014 amounted to 42.0 HK cents per share (2013: 50.0 HK cents), representing a dividend payout ratio of 55% (2013: 67%). This year's level of dividend payment reflects the strength of the Group's cash flow position.

BUSINESS REVIEW

Looking back over 2014, economic performance varied in different regions across the world. The financial recovery in Europe did not occur as expected; in fact its economy exhibited a downward trend for the year. The financial figures denoted a progressive trend for the economy in the United States. China continued to be a growing economy, but its development pace was slower than before. Other countries in Asia such as South Korea and Japan showed no obvious sign of change. Macroeconomic developments impacted the Group's overall business performance globally. Our performance in each country basically was in accordance with the local trend.

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK$1,816 million, a mild decrease of 0.2% over that of 2013. The automotive display business represented approximately 70% of the Group's total turnover.

Within the review period, the economy in the Eurozone was far from satisfactory. The situation deteriorated notably in the second half of the year, and affected the order placements of automotive displays. The adoption of Thin Film Transistor (TFT) displays by European automotive customers has become common practice. This has not only accelerated sales of the Group's TFT displays, but also helped to maintain the overall turnover of automotive displays at the similar level as in 2013.

Despite gentler economic growth in China, the sales of cars in 2014 rose 6.9% from 2013 (Source: Automotive Industry Association). This was a reflection of the continued steady development of the automotive industry, one of the pillar industries in mainland China. Hence, the Group's automotive display sales were also stable in China.

In 2014, the Group's automotive display business in South Korea shrank in scale, largely attributable to fierce competition in that market. Old orders are being phased out and new orders have not yet matured. It is believed that the Korean automotive display business will not be able to reach the past levels for another one or two years.

The Group's automotive display business grew in other countries in Asia, such as Japan and India. As mentioned in the interim report, the Japanese market has started to reap a harvest with orders on a steady rise. The Group has gained trust from Japanese customers and built up a valuable rapport. The Japanese market's importance to the Group will rise with time. In India, the turnover gradually increased. Nonetheless, the automotive industry there has only just started and the display technologies employed remained at an early development stage. This in turn affected the turnover of the Group as the value of each order was still low in the country.

The automotive market potential in the United States cannot be neglected. The Group has been catching up with the market opportunities in the past two years, and has succeeded in securing quite a number of customers and orders. The Group will continue its efforts toward expanding its market coverage in the country.

Industrial Display Business

Turnover from the industrial display business was HK$797 million in 2014, representing an increase of 2% from the previous year. This business contributed approximately 30% of the total turnover of the Group.

In the year under review, the Group's industrial display business in Europe was mildly affected by the economic situation. Turnover was maintained at a similar figure as in 2013. In the past year, domestic sales in the European region, particularly in Southern Europe, were poor. This impacted the performance of the white goods and industrial equipment sectors. In view of this, our European sales teams made much effort in finding business opportunities in order to fill the gap of the lost business.

The industrial customers are scattered geographically, and customer business is diversified. Sales people need to spend more time in analysing the business potential of each sector and in understanding each customer's needs. This is the nature and limitation of the industrial display business in general.

Having undergone a business portfolio restructure, the turnover from the US market rose remarkably in the first half of 2014. The rising trend continued in the second half of the year, and thus, turnover for the whole year demonstrated significant growth. The industrial display business is the key revenue stream in the US, and the economic recovery in the region presented more business opportunities. Sales people in the US successfully commenced a number of new projects within the year under review. The industrial display business growth in the US contributed to an increase in revenue for the overall industrial business of the Group.

Chairman's Statement

PROSPECTS

Market Development

Europe has been the most important market for the Group. The sluggish European economy in 2014 boded ill initially for the Group, but the Group's revenue in the year under review remained comparable with that of 2013, with a slight increase in overall profit. This performance is attributable to the hard work of everyone in the Group. However, the economic prospects of Europe have not yet shown any sign of improvement – a situation that may affect the Group's rate of growth in 2015.

Looking ahead into 2015, we believe that our European business will not significantly improve. An optimistic projection is that the continent's automotive display business may see limited growth, driven by the continued increase in orders for TFT displays. Still, if Europe's economy continues to slide, the Group's business will be negatively affected. In light of the current situation, we can see that though the end of Europe's economic decline is nowhere in sight, the production and sales of individual market sectors such as luxury sedans have not been affected. The growth outlook for automotive display orders in some countries, such as the United Kingdom and Germany, remains positive at the moment.

As for the growth of the industrial display business in Europe, the geographical dispersion and the different business natures of customers will mean that expansion in this area will not be as direct or effective as that for the automotive display business. Europe's advantage, however, lies in its vastness, diversity, and great potential for growth. The Group's sales teams will continue to work hard to open up markets so that the region's industrial display business will achieve growth in the coming year.

The upward trend in the United States will continue and the industrial display business is expected to lead the growth. US economic data reflect the overall rise in the economy, and this will multiply the positive effect when the Group's sales targets have been switched to high value industrial and medical equipment. We expect US sales to grow further in the coming year. The projects successfully pitched by our sales teams last year will ensure revenue streams in the next one to two years.

China's automotive display business will continue its stable growth. Vehicular restrictions in individual big cities imposed by local governments have affected the sales of low-end vehicles, but for the Group, our target market has been focused on passenger cars developed by joint ventures. Thus, the impact of the vehicular restrictions was smaller. Given the considerable scale of China's automotive display business and China's slowing pace of economic growth, revenue growth in the region is expected to slow down.

Japan will be the new impetus in our automotive display business. The Group is honoured to be able to serve the Japanese customers, who are known for their very high expectations of the display parts and rigorous control over their suppliers. Working with customers like these will enhance our quality and value. Orders from Japan have continued to increase in recent years, and the product technology is slowly moving from low-end to high-value, reflecting the gradual build-up of customers' trust in the Group.

Display Technology

Currently, the Group's display technology is mainly monochrome, accounting for more than 90% of total revenue. Customers trust the technology because it is very reliable and it enables the custom made design to fit their individual needs. It is also relatively inexpensive. Monochrome displays are mature products with limited growth possibilities. However, the Group has had many years of experience in both the design and production techniques of monochrome displays, and their quality is recognised by customers. The Group's leading position in the monochrome display market will continue to ensure a steady and substantial revenue stream for the Group in the future.

Development trends in the past year indicate that more high-end vehicle models are using TFT displays. The unique feature of TFT is its colour display, but its price is higher and it is less reliable than monochrome displays. The application of TFT displays in automobiles is mainly in the GPS navigation, temperature control and audio-visual equipment. The trend is expected to continue to grow in the next few years. The Group's TFT display revenues will see substantial growth from the current 6% contribution to revenue.

To this end, the Group is investing more resources in design, production and quality control to meet TFT manufacturing requirements. Hence, the Group will mostly invest in manpower and equipment improvement. Production capabilities and layout will also be modified to meet special manufacturing requirements for TFT in order to enhance production efficiency.

The Group has accumulated many years of experience in the design and production of TFT. Although we do not have our own TFT panel production line, we have reached strategic partnerships with various TFT panel suppliers. Another key point is that the Group focuses on the design and post-production of TFT products for automotive and industrial use. We do not need to adapt to the huge demand and price fluctuations of the consumer electronics market, which means we can be more flexible in coping with the special requirements of our automotive and industrial customers. This helps the Group locate its business niche in the TFT market.

The Group also produces touch panel products, which mostly go together as a package with TFT designs and are more popular in industrial applications. Automotive customers mainly use TFT displays in navigational, audio-visual or temperature control equipment, and these applications can also work well with touch panel functions. Therefore, touch panel sales are expected to expand in both the industrial and automotive directions.

ACKNOWLEDGEMENTS

Mr. Tony Tsoi, our Chief Executive Officer, has tendered his resignation to the Board. Mr. Tsoi's term will end on 31 March 2015, with our Chief Financial Officer, Ms. Samantha Ko, succeeding him.

Mr. Tsoi has led Varitronix from strength to strength. Under his leadership in the last several years, the Group has posted record performances. During his term, Mr. Tsoi decided to move our Shenzhen plant to Heyuan, consolidating our production plants in one spot. We withdrew from the mobile phone display business and concentrated our resources in developing automotive displays, making Varitronix a force in automotive-related industry. Mr. Tsoi also streamlined our overseas offices to enhance their operational efficiency. The production capacity of the Heyuan plant was expanded twice and a new plant was built. He also assembled an excellent management team whose members are young and independent.

In view of Mr. Tsoi's leadership qualities, the Federation of Hong Kong Industries awarded him the 2010 Young Industrialist Award. He also fostered a Varitronix culture and esprit de corps, promoting and supporting the Group's sports and social services activities.

I would like to extend my gratitude to Mr. Tsoi for his significant contribution to Varitronix. I wish him all the best in his future endeavours. May he continue to contribute his expertise to Hong Kong in the direction he chooses.

I would also like to sincerely thank the Board, shareholders, business partners and employees. Your support and contributions have helped maintain the Group's agility and momentum to cross the oceans in both good times and bad. I hope everyone will continue to give their support to the new CEO so that Varitronix will remain a shining beacon of light.

Ko Chun Shun, Johnson
Chairman
Hong Kong, 19 March 2015

Management Discussion and Analysis

TURNOVER

The Group's turnover for the year ended 31 December 2014 increased by 0.3% to HK$2,613 million as compared to the previous financial year.

PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2014 was HK$273 million, a decrease of HK$39 million or 13% as compared to the previous financial year.

During the financial year 2014, the Group spent HK$190 million on research and development ("R&D") activities, which represented approximately 7% of the Group's turnover.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31 December 2014 was HK$250 million, as compared to a profit of HK$243 million in 2013.

Basic earnings per share for the year ended 31 December 2014 were 76.5 HK cents as compared to basic earnings per share of 74.7 HK cents in the previous financial year. During the year, the Group declared and paid the interim dividend of 12.0 HK cents per share, which aggregated to HK$39 million. The Board have recommended a final dividend of 30.0 HK cents per share, which will aggregate to HK$98 million. The total dividend for the year amounts to 42.0 HK cents per share.

STRUCTURE OF ASSETS

As at 31 December 2014, the total assets of the Group amounted to HK$2,451 million (2013: HK$2,636 million). At the year end, inventories decreased by 17% to HK$384 million (2013: HK$464 million) while available-for-sale securities was HK$30 million (2013: HK$30 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the total equity of the Group was HK$1,792 million (2013: HK$1,728 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.87 as at 31 December 2014 (2013: 2.21).

At the year end, the Group held a liquid portfolio of HK$783 million (2013: HK$768 million) of which HK$575 million (2013: HK$555 million) was in cash and fixed deposits balance and HK$208 million (2013: HK$213 million) in securities. The unsecured interest-bearing bank loans amounted to HK$229 million (2013: HK$302 million). The gearing ratio (bank loans over net assets) was 13% (2013: 17%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 4.7 times (2013: 4.6 times). Debtor turnover days (trade receivables over turnover times 365) for the year was 79 days (2013: 82 days).

CASH FLOWS

In the year under review, the Group's cash generated from operations amounted to HK$345 million (2013: HK$389 million). The decrease in inventories raised cash flow by HK$79 million, while the decrease in trade and other receivables raised cash flow by HK$27 million.

Net cash used in investing activities amounted to HK$45 million (2013: HK$162 million). There was a decrease in payments for the purchase of fixed assets to HK$71 million (2013: HK$118 million).

CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt, which includes the bank borrowings. There was no change as to the capital structure of the Group during the year. The Group had repaid the bank borrowings amounted to HK$297 million during the year and the bank borrowings decreased to HK$229 million as at 31 December 2014.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State Dollars, Euros, Japanese Yen and Renminbi.

The Group does not engage in the use of any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.

CONTINGENT LIABILITIES

As at 31 December 2014, the Company had contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK$229 million (2013: HK$302 million).

COMMITMENTS

As at 31 December 2014, the Group had capital commitments of HK$31 million (2013: HK$59 million), representing the purchase of property, plant and equipment not provided for in the financial statements. The total future minimum lease payments under non-cancellable operating leases for properties payable within one year amounted to HK$4 million (2013: HK$6 million).

STAFF

As at 31 December 2014, the Group employed 4,831 staff around the world, of whom 168 were in Hong Kong, 4,622 in the People's Republic of China ("PRC") and 41 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

The Group adopts a performance-based remuneration policy. Salary adjustments and performance bonuses are based on the evaluation of job performance. The aim is to create an atmosphere that encourages top performers and provides incentives for general employees to improve and excel.

STAFF RETIREMENT SCHEMES

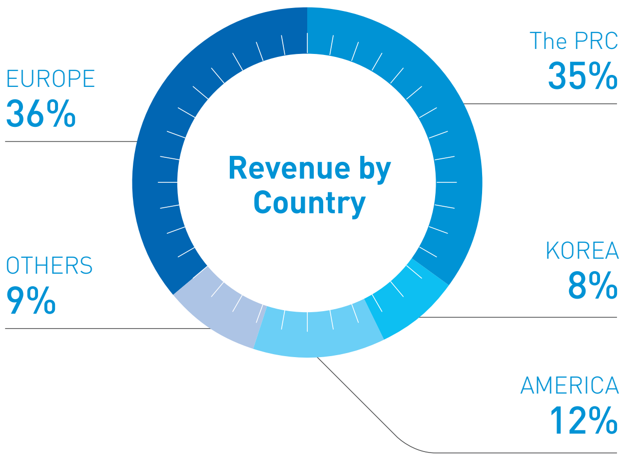
The Group principally participates in defined contribution retirement plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by independent trustees. Contribution at a fixed rate of 5% of the employee's relevant income (the "Relevant Income"), subject to a cap of monthly Relevant Income of HK$30,000 per employee, are made to the scheme and are vested immediately.

In addition, the Group also operates a Top-Up ORSO scheme, approved by the Inland Revenue Department under Section 87A of the Inland Revenue Ordinance, and both the employer and the employee are required to contribute 5% of the excess of the Relevant Income to the scheme. It is only eligible for employees who joined the Group on or before 30 June 2009.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

During the year, the total retirement scheme cost charged to the Consolidated Statement of Profit or Loss for the year ended 31 December 2014 was HK$26 million (2013: HK$22 million). Charges to administer the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the year ended 31 December 2014 was Nil (2013: HK$23,000) and at 31 December 2014, the balance available to reduce the level of contributions in future amounted to HK$7,000 (2013: HK$12,000).

Review of **Operations**



EUROPE

In 2014, the business in Europe generated revenue of HK$942 million, a similar figure to that recorded in 2013. The European business contributed 36% of the total turnover for the Group during the year under review.

Automotive Display Business

In 2014, the automotive market performance varied in different sectors in Europe. The export sector comprising luxury cars, sports cars and sport utility vehicles (SUVs) performed quite well in terms of sales whereas the domestic sales of middle range and low end cars were flat in performance. The Group's sales in the high end car sector, mainly Northern Europe, were maintained.

There is a trend toward adopting larger sizes of display screens to show more complex information in automobiles, and TFT technology is the natural choice. This means we expect to see a decline in passive LCDs and an increasing use of TFT in the automotive sector. The Group will continue to plan for and react quickly to changes in the market. Internally, we have already built our teams specializing in TFT design and production. Externally, we will continue to work closely with TFT panel suppliers in order to maintain good quality product supply at a competitive price.

In the coming years, we expect that there will be a gradual decline of the passive display business among automotive customers in Europe, and that this decline will be covered by the increasing revenue generated by the TFT business.

The Group focuses on automotive and industrial customers, and does not need to chase the consumer electronics demand for TFT application technology. This makes us more single-minded, robust and stable than other manufacturers whose attention may be diverted to keep the TFT production line running. We recognize the need to address customer requests and focus on our designs. That is why the Group is able to partner with a group of customers which have specific product needs.

Looking forward, if the economy in Europe does not slide further, it is predicted that the automotive business in Europe will experience a mild growth in the coming year, as we foresee a number of projects will reach the mass production stage.

Industrial Display Business

The industrial display business in Europe during the year under review recorded a similar turnover to 2013. At the beginning of 2014, the industrial business in countries in the Northern part of Europe showed steady progress. However, those in Southern Europe were still struggling.

As most of the Group's white goods customers are from the Southern part, this sector of market is recovering less quickly and may take some time before it is back to full strength. In addition, some of the industrial equipment orders were affected by the worsening economy in Europe in the second half of 2014.

Review of Operations

Business in Europe is currently dominated by automotive display applications. With an aim of achieving a more healthy allocation of revenue, the Group plans to expand its sales force in the industrial sector to enhance penetration in this market. A series of strategies will be employed to achieve this including, for example, participating in exhibitions targeted to niche markets and launching local and targeted advertising campaigns.

Germany will be the first priority for development of the industrial business, chosen predominantly due to its business potential with its strong base of industrial development. The experience there can be replicated in other European countries.

Industrial display applications are varied, ranging from medical devices to utility metering, and likewise with volumes, pricing and quality requirements. The industrial sales people need to be versatile and flexible to cater for different customer needs. Industrial customers across Europe have an interest in touch screens, and it is expected that touch panel sales will experience gradual growth. Our industrial sales people will seek out all possible display applications and keep a close eye on up and coming trends.

AMERICA

America generated revenue of HK$316 million in 2014, contributing 12% to the total revenue of the Group. America's revenue figure in 2014 was the highest recorded in recent years and is up 4% when compared to the previous year.

Our strong relationship with customers, outstanding service and good product quality enabled the US sales team to secure business with more customers and initiate new programs with them. The steady improvement of the economy in the United States also expedited a few orders to enter the mass production stage in the year under review, and directly contributed to the revenue growth.

Among the business sectors of the US market, the industrial equipment sector performed the best and was the largest contributor to revenue. The medical product sector also performed satisfactorily. The automotive display sector, with a relatively small base in terms of revenue, saw a significant increase in turnover for the year under review.

Prospects for the economy in America are positive for 2015, and this creates an optimistic outlook for the industrial development of the country. From the forecasts we have from our customers, orders from the industrial sector will increase based on the number in 2014. In addition, the sales team has been awarded a number of projects from medical customers, as well as a large automotive project.

The Group has forged partnerships with a number of industrial and medical customers and this will lead to continued sales growth in the future. The composition of the business portfolio will see the industrial sector continuing to play a major part, contributing close to 50% of revenue, with the remainder allocated evenly between the medical and automotive sectors.

KOREA

Revenue generated in South Korea was HK$206 million, down 15% from 2013. South Korea accounted for 8% of the total turnover of the Group.

Due to keen competition, the Group's business has demonstrated a downward trend in this market. New business opportunities have decreased, whilst at the same time some current projects will come to an end. It is expected that business volume in Korea will continue to downsize in the next year, and that development will be steady in subsequent years.

To counter this situation, the Group will speed up the improvement of its technology and will seize new business opportunities with display products that meet customers' needs. The sales team has been successful in securing business from some new customers in 2014. Business volume from new customers is expected to be modest initially, with sales growth to come in the following years.

The adoption of touch panels in automobiles constitutes a trend, as drivers and passengers increasingly become accustomed to controlling audio and air conditioning using touchscreens. The sales team has built up business relationships with a number of automotive touch panel equipment suppliers and it is anticipated that the automotive touch panel display business will grow steadily in the future.

THE PRC

Revenue generated from the PRC reached HK$924 million in 2014, representing a slight increase of 1% compared with 2013. This region accounted for 35% of the Group's total turnover in 2014, relatively the same as in 2013.

Automotive sales in 2014 were not affected by the lower economic growth rate in China. Joint venture branded cars, the focus of our business in China, remained competitive in the market, enabling our automotive display revenue to maintain a stable level comparable to that in 2013.

There are two key factors contributing to the healthy development of the joint venture branded cars in China:

- Consumers in China will choose vehicles of better quality when they decide to change their cars.
- As personal incomes grow, joint venture and luxury branded vehicles are preferred by the rising middle class in large cities.

It is expected the Central Government will maintain a stable growth policy for the national economy. The automotive industry, an important economic pillar, can expect consistent support under this environment, and the development of hybrid and electric cars will further boost automobile sales. We expect continued growth in the automotive display business in the PRC for the foreseeable future, though this may not be substantial based on the current maturity and already sizeable scale of this market.

Environmental, Social and Governance Report

WORKPLACE QUALITY

General Conditions

Established in 1978, Varitronix is today one of the world's leading manufacturers of small-to-medium-sized liquid crystal displays (LCD). We strive not only to integrate the principle of sustainability into our operations, but also to promote the practice of environmental protection among our employees and business partners.

Workforce Size and Turnover

	2014 Headcount	2014 Turnover Rate
HK	168	9.9%
PRC Staff	701	15.0%
PRC Worker	3,921	32.7%
Overseas	41	4.9%

Recognition

Varitronix has been recognised as a "Caring Company" by The Hong Kong Council of Social Service since 2007. We care about our staff and are committed to achieving staff development. We also care about the environment, encourage and support our staff to participate in community service.

Varitronix took home the Happiness-at-work Label with the commitment to create a delightful working environment and raise the happiness-at-work level for staff. The Happiness-at-work Promotional Scheme is administered by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council.

Varitronix was selected as one of the "Family-Friendly Employers 2013/14". Presented by the Family Council, this recognition encourages employers to implement family-friendly employment policies and practices. These are intended to help employees balance their work and family lives, thereby resulting in improved morale, and enhanced working relationships.

Awards

The HSBC Living Business Awards 2014 Supported by the Business Environment Council (BEC), The Hong Kong Council of Social Service (HKCSS) and the Hong Kong Institute of Human Resource Management (HKIHRM), the HSBC Living Business Awards program is open to all SMEs in Hong Kong. Varitronix was presented with three awards under this program in 2014:

People Caring Award – Certificate of Excellence
Green Achievement Award – Certificate of Excellence
Community Engagement Award – Certificate of Merit

Health and Safety

Varitronix is accredited with OHSAS 18000, under which we work to support and protect a safe and healthy workplace by preventing injury and ill health, reducing hazards and continually improving occupational health and safety performance.

Our staff representatives in the Hong Kong Office and workers in the production plant received first aid training by authorities such as the Hong Kong Labour Department and the Red Cross Society of China. The number of injury cases in the production plant in 2014 was 43, while there was 42 injury cases in 2013. All the cases in 2014 were minor cases with no significant damage. Corrective measures were taken to prevent similar injury cases from occurring in the future. In addition, we are always alert to any potential disaster. An emergency and fire drill is conducted every year.

In order to achieve a healthy work-life balance, recreational activities and interest classes are conducted every month for workers and staff in the production plant. Cooking and computer classes in particular received a warm response. In addition, birthday parties are organised for workers who stay in dormitories. Recreational activities such as outings and sports games are also arranged regularly for our staff members.

1. People Caring Award – Certificate of Excellence (left)
   Community Engagement Award – Certificate of Merit (middle)
   Green Achievement Award – Certificate of Excellence (right)
2. Varitronix Cup – Relay Race
3. Green diet cooking competition
4. Interest class held in production plant
5. Team Participation Award for Varitronix at HK Streetathon 2014

Environmental, Social and Governance Report

Development and Training

The Group organised 949 hours of training in 2014, and a total of 11,285 participants joined various training courses. Operational skills, health and safety courses were held for workers, while technology, professional knowledge and soft skills training were provided for staff members in general.

In addition to classroom training, the Group also organises team building activities for employees. The Varitronix Cup is a series of sports competitions including table tennis, basketball, tug-of-war, and a relay race for employees to join every year. An outdoor team building development activity was organised in 2014 for young engineers. Staff members also represented the Group in a variety of external events including marathons and hiking activities. We believe sports activities can strengthen team spirit and bonding among employees, and sports provides suitable occasions to motivate and inspire.

Labour Standards

As a responsible employer, we comply with the labour rules and regulations. Child and forced labour is prohibited in our manufacturing base. We have tried our best to establish a culture of open communications and fairness. Grievance channels have been set up for workers and staff to make complaints. Their opinions and suggestions are taken into consideration, and complaints are investigated and addressed in public channels.

A Labour Union was set up in the production plant many years ago. The Labour Union's role is to reflect the general workers' opinions and the management will seek the Union's approval on matters relating to company policies, wages and benefit reviews.

We also have procedures in place to ensure our policies are properly executed. These include conducting employee surveys, internal audits and third-party audits.

ENVIRONMENTAL PROTECTION

Emissions

Greenhouse Gas Emissions

We treat hazardous waste with extra caution. Our employees are trained to handle hazardous waste under set guidelines and we collaborate with external licensed contractors to dispose of hazardous and non-hazardous waste in an appropriate manner.

Greenhouse Gases Measurement

		Rooftop's Production exhaust vent			Kitchen exhaust vent			
		Hydrochloric acid (HCl)	Lead	Particulates	Sulphur Dioxide (SO_2)	Nitrogen Oxides (NO_x)	Particulates	Oil Fume
	Regulatory Standard (mg/M³)	< 100	< 0.7	< 120	< 500	< 120	< 120	< 2.0
2013	Q1 (mg/M³)	31.53	< 0.013	< 5	< 20	75	9	0.4
	Q2 (mg/M³)	25.08	< 0.013	< 5	< 20	51	2	0.3
	Q3 (mg/M³)	24.63	< 0.013	< 5	< 20	37	10	0.5
	Q4 (mg/M³)	24.63	< 0.013	< 5	< 20	32	16	0.6
	Average (mg/M³)	26.47	N/A	N/A	N/A	48.75	9.25	0.45
2014	Q1 (mg/M³)	22.83	< 0.013	< 5	< 20	35	20	0.5
	Q2 (mg/M³)	24.63	< 0.013	< 5	< 20	38	3	0.2
	Q3 (mg/M³)	28.76	< 0.013	< 5	< 20	36	11	0.4
	Q4 (mg/M³)	26.37	< 0.013	< 5	< 20	34	14	0.3
	Average (mg/M³)	25.65	N/A	N/A	N/A	35.75	12	0.35

Use of Resources

Varitronix has been accredited with ISO 14001 since 2005 in recognition of the environmental efforts carried out in our production plant.

The key requirements of this accreditation are to:

- Minimise harmful effects on the environment caused by our activities
- Achieve continual improvement of our environmental performance

The Environmental Committee in the production plant was formed in 2005. Its duties include ensuring compliance with legislative requirements, conducting internal audits, organising environmental activities and promoting the concept of environmental protection to all employees.

Control Measures

The Environmental Committee sets electricity, water and paper consumption targets every year.

Energy consumption data 2014 vs 2013

	Control Target	2014 Actual Consumption	2013 Actual Consumption
Water	1.5 tonnes per 1000² inches	1.21 tonnes per 1000² inches	1.14 tonnes per 1000² inches
Eletricity	104 watt per 1000² inches	64 watt per 1000² inches	67.1 watt per 1000² inches
Paper	3,468 packs	2,892 packs	2,817 packs

Varitronix has set up measures to reduce and reuse energy and natural resources. For instance, we have installed six sets of machines to collect heat energy produced by air conditioners. The heat energy collected is used for heating water in our staff and worker dormitories. Moreover, 60% of the water used in the production plant is recycled for watering, toilet flushing and manufacturing.

Environmental Education

In 2014, our theme was "Green Diet". We promoted the adoption of a vegetarian diet in order to reduce carbon emission. Consumption of natural resources in raising livestock is huge, and one effective way of carbon reduction is to have green meals.

Mr. David Yeung (right) was invited to give a talk on green meals.

We invited one of the founders of Green Monday, Mr David Yeung, to give a talk on green diet to the Hong Kong employees. Programs were organised to encourage employees to have green meals in their daily lives. In the PRC, staff canteens provided vegetarian dishes every Monday. The measures were well-received by Hong Kong and PRC staff members.

Environmental, Social and Governance Report

Product Design and Packaging

QC 080000 accreditation demonstrates Varitronix's efforts in establishing an effective management system to control and manage hazardous substances in order to comply with the requirements of EU RoHS, REACH and other relevant product handling and safety regulations.

The main goals of QC 080000 are:

1. Reduce the risk of the company's products
2. Protect the environment and the health of employees
3. Raise employees' health awareness in regard to handling harmful substances

In order to minimise the impact on the environment and save material cost, our products are designed to avoid unnecessary packaging. We continuously review the packaging design of products with the aim of reducing the packaging size.

OPERATING PRACTICES

Supply Chain Management

Varitronix has around 250 suppliers in total, of which more than 60% are located in mainland China, with the rest spread across Asia, Europe and the United States. Suppliers are engaged in component production of items such as polarizing films, ICs, PCBs and backlights, among others. In keeping with an initiative from our Purchasing and Quality Departments, a supply chain management mechanism has been put in place to monitor the performance of suppliers. The Quality Department's Supplier Quality Team conducts regular audits of suppliers' production sites, to observe their production processes, labour practices and quality control standards, and to qualify their approved vendor status.

Vendors of logistics services are independently screened and chosen by the Logistics Department. Selection criteria include:

Company Background
(including financial stability, reputation, global presence, etc.)

Pricing and Competitiveness

Services
(including performance track record, efficiency and customer service)

During the auditing process, questionnaires and on-site monitoring are employed as assessment methods. We recognise, however, that there is currently insufficient attention placed on social and environmental performance. We will develop questionnaires and methodology to additionally assess the social and environmental performance of our suppliers and vendors in the near future.

Quality Management

Nearly three-quarters of the Group's revenue comes from automotive display products. Varitronix has complied with the ISO/TS 16949 quality management system since 2004. This is the recognised standard throughout the supply chain within the automotive industry and provides consistency in developing products in accordance with an established quality processes and standards. This procedure must be followed by all design, application, manufacturing and quality engineers throughout the whole product development process.

Code of Conduct

A list of policies has been issued and enforced among Hong Kong and PRC employees. Policies to protect intellectual property and private data plus policies to prevent corruption have been set up and communicated to employees.

The Code of Conduct is a comprehensive framework safeguarding a fair and corruption-free working environment. A whistle-blowing policy is also in place to encourage and assist whistle-blowers to report information relevant to misconduct or malpractice through a confidential channel.

A policy regarding protection of privacy data and prevention of sexual harassment was introduced in 2014. We expect to issue wider coverage via a non-discrimination policy in 2015, to promote discrimination-free working relations in offices and on production lines.

There is a mechanism to ensure product and operation confidentiality within the production plant and the Group. Varitronix's production plant has been qualified as a "New and Hi-tech Enterprise", and we have an obligation to continue our efforts in developing new products and production processes. Patent protection will be applied to all of these inventions in the PRC, in order to maintain the proprietary rights of the Group in utilising the technologies.

COMMUNITY INVOLVEMENT

Community Service

The Group's Social Service Team (SS Team) was set up in 2006 among Hong Kong employees. Its mission is to serve and to learn. We hope our employees can widen their horizons and reach out to different groups in society.

Varitronix SS Team with their mentees from South Asia.

Environmental, Social and Governance Report

Subsequent to fruitful cooperation in 2013, the Varitronix Social Service Team continued their partnership with ELCHK Sheung Tak Integrated Youth Service Centre (Sheung Tak) in 2014. The ethnic minority young people from India and Pakistan continued to be our service target. In 2014, we started a new program called "Dreams Come True" with Sheung Tak, in which a dozen young people were screened and selected from a school. Mentors from Varitronix were assigned to each young person, to help to realise their dreams and monitor their dream realisation progress. "Smarter Goals" are set up by mentors and mentees and the pairs have to move along the schedule to achieve their goals. Awards will be presented to those mentees who successfully work along the schedule.

In the coming three years, the SS Team will continue to focus their service on young people from ethnic minorities. This has been decided based on a number of factors:

- The career prospects of young people from ethnic minorities are affected by their language barrier. They need help to find their goals in life at an early age.
- The media tends to report the minority group's negative behaviour. We aim at building their positive image in the community.
- The SS Team's partnership with Sheung Tak achieved great results based on a limited budget. The Varitronix SS Team is committed to implementing more programs for the youth of ethnic minorities in a concerted effort with Sheung Tak.

Mentors and mentees in an adventurous training.

The Volunteering Team Silver Award

One of our Trailwalker Teams

Awards and Accolades

It was an honour for the Varitronix Social Service Team to be presented with The Volunteering Team Silver Award by the Hong Kong Productivity Council in 2014. During the process of selection, we reviewed and assessed our strengths and weaknesses. The Award is a recognition of our past efforts and accomplishments, and we anticipate the Varitronix SS Team will expand on its own strengths and achieve continuous improvement.

Participation in Charity Events

Varitronix is committed to participating in a variety of events that combine charity and sports. In 2014, the Group sponsored employees to take part in the Standard Chartered Marathon; the first Hong Kong Streetathon, a 10km run in Kowloon East organised by RunOurCity, a social enterprise; Totem Run held by RunOurCity, to raise funds for Christian Zheng Sheng College; and Trailwalker organised by Oxfam. In the PRC, colleagues were organised to visit physically handicapped children. Gifts and necessities were donated to this underprivileged group. A total of HK$481,000 was donated to different charity organisations in Hong Kong and the PRC in 2014.

Scholarship

Varitronix has been sponsoring a scholarship for the Department of Electronic and Computer Engineering, Hong Kong University of Science and Technology, for six consecutive years. In 2014, an outstanding team of final year project students were presented with the "Varitronix 35th Anniversary Scholarship".

Scholarship presentation ceremony

Board of Directors and Senior Management

DIRECTOR'S BIOGRAPHICAL INFORMATION

Ko Chun Shun, Johnson

aged 63, was appointed as the Chairman and an Executive Director of the Company in June 2005. Mr. Ko is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ko is a substantial shareholder of the Company and a director of various subsidiaries of the Group. Mr. Ko is also the Chairman and an Executive Director of Reorient Group Limited, and the Vice Chairman and an Executive Director of Frontier Services Group Limited and China WindPower Group Limited. Mr. Ko was appointed as an Executive Director of KuangChi Science Limited (formerly known as Climax International Company Limited) in August 2014. The above companies are listed on the Hong Kong Stock Exchange. Mr. Ko is the father of Ms. Ko Wing Yan, Samantha who is an Executive Director and the Chief Financial Officer of the Company, and will be appointed as the Chief Executive Officer of the Company with effect from 31 March 2015.

Subsequent to the year end, the company name of China WindPower Group Limited has changed to Concord New Energy Group Limited effective from 9 February 2015.

Tsoi Tong Hoo, Tony

aged 50, was appointed as the Chief Executive Officer and an Executive Director of the Company in March 2005. Mr. Tsoi is a director of various subsidiaries of the Group. Mr. Tsoi graduated from the University of Western Ontario, Canada with an Honours degree in Business Administration in 1986. He was selected as one of the "Hong Kong Young Industrialists" by The Federation of Hong Kong Industries in 2010. Mr. Tsoi is an Executive Director of Reorient Group Limited and an Independent Non-executive Director of Fairwood Holdings Limited. He resigned as a Non-executive Director of China WindPower Group Limited in January 2014. The above companies are listed on the Hong Kong Stock Exchange. Mr. Tsoi is the deputy chairman of the supervisory board of Data Modul AG, which is listed on the Frankfurt Stock Exchange.

Subsequent to the year end, Mr. Tsoi will resign as the Chief Executive Officer and an Executive Director of the Company with effect from 31 March 2015. Mr. Tsoi will also resign as a director of various subsidiaries of the Group with effect from 31 March 2015.

Ko Wing Yan, Samantha

aged 35, was appointed as the Chief Financial Officer and an Executive Director of the Company in October 2014. Ms. Ko holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, U.S.A., and a Master Degree in Finance from the Imperial College, London. She has over seven years of experience in banking and has extensive experience in the securities and capital markets, and was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served at Morgan Stanley (Hong Kong) and JP Morgan Securities Limited (London). Ms. Ko is an Executive Director of Reorient Group Limited and a Non-executive Director of China WindPower Group Limited. The above companies are listed on the Hong Kong Stock Exchange. Ms. Ko is the daughter of Mr. Ko Chun Shun, Johnson who is the Chairman, an Executive Director and a substantial shareholder of the Company.

Subsequent to the year end, Ms. Ko will be appointed as the Chief Executive Officer of the Company with effect from 31 March 2015.

Ho Te Hwai, Cecil

aged 54, was appointed as an Executive Director and the Company Secretary of the Company in March 2005. He is a director of various subsidiaries of the Group and is also the Qualified Accountant for the Group. In 2011, Mr. Ho was appointed as the Chief Financial Officer of Reorient Group Limited, which is listed on the Hong Kong Stock Exchange. Mr. Ho holds a Bachelor of Commerce degree from the University of British Columbia, Canada. He is a member of the Institute of Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Lo Wing Yan, William

aged 54, was appointed as an Independent Non-executive Director of the Company in July 2004. He is the Chairman of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company. Dr. Lo holds a Master's degree in Molecular Pharmacology and a Doctorate in Genetic Engineering, both of which are obtained from the University of Cambridge in England. Dr. Lo is currently the Vice Chairman of Lovable International Holdings Limited. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (J.P) by the government of Hong Kong. In 2003, he was appointed as a Member of Shantou Committee of the Chinese People's Political Consultative Conference. Dr. Lo is a governor of an independent school in Hong Kong, the ISF Academy, as well as the Chairman of Junior Achievement Hong Kong. Dr. Lo is currently an Independent Non-executive Director of Nam Tai Property Inc. (formerly known as Nam Tai Electronics, Inc.), which is listed on the New York Stock Exchange, SITC International Holdings Company Limited, International Housewares Retail Company Limited, Jingrui Holdings

Limited and CSI Properties Limited, which are listed on the Hong Kong Stock Exchange, and E2-Capital Holdings Limited (formerly known as Westminster Travel Limited) which is listed on the Singapore Stock Exchange.

Dr. Lo was appointed as an Independent Non-executive Director of CSI Properties Limited which is listed on the Hong Kong Stock Exchange and as the Vice Chairman of Lovable International Holdings Limited in April and September 2014 respectively. He resigned as a Non-executive Director of South China Land Limited which is listed on the Hong Kong Stock Exchange and as the Vice Chairman of South China Media Group in March and August 2014 respectively.

Subsequent to the year end, Dr. Lo was appointed as an Independent Non-executive Director of Television Broadcasts Limited which is listed on the Hong Kong Stock Exchange in February 2015.

Hou Ziqiang

aged 77, was appointed as an Independent Non-executive Director of the Company in March 2005. He is a member of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company. Mr. Hou graduated from Peking University in 1958 with a Bachelor's degree in Physics. From 1993 to 1997, Mr. Hou was a Director of the Institute of Acoustics of the Chinese Academy of Sciences. From 1988 to 1993, Mr. Hou was a Secretary General of the Chinese Academy of Sciences.

Chau Shing Yim, David

aged 51, was appointed as an Independent Non-executive Director of the Company in July 2009. He is a member of the Audit Committee of the Company. Mr. Chau has over 20 years of experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of HKICPA.

Mr. Chau is currently an Independent Non-executive Director of Up Energy Development Group Limited, Evergrande Real Estate Group Limited, Lee & Man Paper Manufacturing Limited, Man Wah Holdings Limited and Richly Field China Development Limited. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

Suen Mo Ha, Rossetti

aged 43, is the Chief Operating Officer of the Group. She holds a Master's degree in Statistics from The University of Hong Kong, and a Bachelor's degree in Quantitative Analysis for Business from City Polytechnic University. She joined the Group in December 2000.

Lam Cheuk Yin, Kenneth

aged 40, is the Financial Controller of the Group. He has a Bachelor of Business Administration (Accountancy) from City University of Hong Kong, and is an Associate Member of the HKICPA. He joined the Group in July 2005.

Fung Yeuk Keung

aged 60, is the General Manager – Manufacturing of the Group. He conducted his PhD research study in the Liquid Crystal Institute of Kent State University and obtained a Master and a Doctorate degree in Physics from the same university. Dr. Fung joined the Group in 1995 and resigned in 2006. He rejoined the Group in November 2009.

Park Soo Bin, James

aged 44, is the General Manager – Technical Group. He holds a Bachelor of Physics degree from Sogang University in South Korea. He joined the Group in October 2006.

Lo Pak Chi, Patrick

aged 41, is the Senior Manager – Corporate Development of the Group. He holds a Bachelor's degree in Applied Physics from The Hong Kong Baptist University. He joined the Group in May 1998.

Ng Siu Keung, Ricardo

aged 52, is the Senior Manager – Information Service, Facilities & External Affairs (PRC) of the Group. He holds a Master's degree in Business Administration from International University of America. He joined the Group in September 2006.

Chan Siu Wah, Susana

aged 45, is the Senior Manager – Human Resources & Public Relations of the Group. She holds a Bachelor's degree of Arts from The Chinese University of Hong Kong. She joined the Group in November 2005.

Corporate Governance Report

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board (the "Board") of Directors (the "Directors") recognises that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has adopted and complied with the code provision set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board has taken actions and measures to ensure that the Company is in all aspects in strict compliance.

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Company benefits from the professional management expertise of its Directors. Brief biographies of the Directors are set out in the "Board of Directors and Senior Management" section in this Annual Report. The professional management expertise of the Directors ensures that the Board has the capabilities of sustaining the Company's continued success.

As at 31 December 2014, the Board comprises four Executive Directors and three Independent Non-executive Directors.

Executive Directors:	Mr. Ko Chun Shun, Johnson *(Chairman)*
	Mr. Tsoi Tong Hoo, Tony[1] *(Chief Executive Officer)*
	Ms. Ko Wing Yan, Samantha[2] *(Chief Financial Officer)*
	Mr. Ho Te Hwai, Cecil
Independent Non-executive Directors:	Dr. Lo Wing Yan, William
	Mr. Chau Shing Yim, David
	Mr. Hou Ziqiang

All the Independent Non-executive Directors meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

The Board meets at least 4 times a year with additional meetings arranged when necessary to review the financial performance, material investments and other matters of the Group that require the resolution of the Board.

During the financial year ended 31 December 2014, a total of 6 Board meetings and 1 annual general meeting ("2014 AGM") were held and the attendance of each Director is set out as follows:

	Number of meetings attended in 2014				
Name	**Board**	**2014 AGM**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**
Executive Directors:					
Mr. Ko Chun Shun, Johnson	6/6	1/1	1/1	3/3	N/A
Mr. Tsoi Tong Hoo, Tony[1]	6/6	1/1	N/A	N/A	N/A
Mr. Yuen Kin[3]	5/6	1/1	N/A	N/A	N/A
Ms. Ko Wing Yan, Samantha[2]	1/6	N/A	N/A	N/A	N/A
Mr. Ho Te Hwai, Cecil	5/6	1/1	N/A	N/A	N/A
Independent Non-executive Directors:					
Dr. Lo Wing Yan, William	6/6	1/1	1/1	3/3	2/2
Mr. Chau Shing Yim, David	6/6	1/1	N/A	N/A	2/2
Mr. Hou Ziqiang	6/6	1/1	1/1	3/3	2/2

Notes:

1. Mr. Tsoi Tong Hoo, Tony will resign as an Executive Director and the Chief Executive Officer of the Company with effect from 31 March 2015.
2. Ms. Ko Wing Yan, Samantha was appointed as an Executive Director and the Chief Financial Officer of the Company with effect from 3 and 27 October 2014 respectively and will be appointed as the Chief Executive Officer of the Company with effect from 31 March 2015.
3. Mr. Yuen Kin resigned as an Executive Director and the Chief Financial Officer of the Company with effect from 3 and 27 October 2014 respectively.

The Directors have no financial, business, family or other material/relevant relationships among the members of the Board except that:

1. Mr. Ko Chun Shun, Johnson ("Mr. Ko") is the father of Ms. Ko Wing Yan, Samantha ("Ms. Ko"). Mr. Ko and Ms. Ko are directors of China WindPower Group Limited which is listed on the Main Board of the Stock Exchange. The company name of China WindPower Group Limited has changed to Concord New Energy Group Limited effective from 9 February 2015.
2. Mr. Ko, Ms. Ko and Mr. Tsoi Tong Hoo, Tony are directors of Reorient Group Limited which is listed on the Main Board of the Stock Exchange.

In the Board's opinion, these relationships do not affect the Directors' independent judgment and integrity in executing their roles and responsibilities.

Professional Development

Pursuant to A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course and/or referring materials on the topics related to corporate governance and regulations.

Responsibilities of the Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as interim and annual results, major transactions, director appointments or reappointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the management.

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board, Mr. Ko Chun Shun, Johnson and the Chief Executive Officer, Mr. Tsoi Tong Hoo, Tony (Mr. Tsoi will resign as an Executive Director and the Chief Executive Officer with effect from 31 March 2015 and Ms. Ko Wing Yan, Samantha will be appointed as the Chief Executive Officer with effect from 31 March 2015) are separated, with a clear division of responsibilities. The Chairman of the Board is responsible for formulating corporate strategies and overall business development planning. The Chief Executive Officer's duty is to oversee the execution of daily business activities. The division of responsibilities is to ensure a balance of power and authority.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors have been appointed for a fixed term expiring on 31 December 2015 or such other date as agreed by the Independent Non-executive Directors. All Directors are subject to retirement by rotation at least once every three years under the Company's Bye-laws.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee of the Company (the "RC") is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Dr. Lo Wing Yan, William (Chairman of the RC), Mr. Hou Ziqiang and Mr. Ko Chun Shun, Johnson. Among the 3 members of the RC, 2 members are Independent Non-Executive Directors. The terms of reference of the RC are available at the websites of the Company and the Stock Exchange.

The roles and functions of the RC include consulting the Chairman of the Board about their remuneration proposals for other Executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management of the Group and the RC has adopted the approach under B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Director and senior management of the Group.

The Company's remuneration policy is to link remuneration packages for Executive Directors with the achievement of annual and long-term performance goals. By providing competitive and performance-linked compensation, the Company seeks to attract, motivate and retain key executives, which is essential to its long-term success.

1 meeting was held in 2014. During the meeting, the RC reviewed the Company's remuneration policy and fixed the remuneration packages for the Executive Directors and senior management of the Group. No change has been proposed to the remuneration policy and the Directors' remuneration. The number of RC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held is set out in section headed "BOARD OF DIRECTORS" above in this report.

Remuneration of Directors and Senior Management

The Director's remuneration is set out in note 7 to the consolidated financial statements of this Annual Report.

The remuneration paid to the members of the senior management by bands in 2014 is set out below:

Remuneration Bands	Number of Individuals
HK$500,001 to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

Nomination Committee

The Nomination Committee of the Company (the "NC") comprises Dr. Lo Wing Yan, William (Chairman of the NC), Mr. Hou Ziqiang and Mr. Ko Chun Shun, Johnson. Among the 3 members of the NC, 2 members are Independent Non-executive Directors. The terms of reference of the NC are available at the websites of the Company and the Stock Exchange.

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer. New Directors are sought mainly through referrals. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and expertise of the appointee as well as personal ethics, integrity and time commitment of the appointee.

The Board adopted the board diversity policy (the "Board Diversity Policy") which to comply with the CG Code on board diversity. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. The NC's assessment of the candidates includes, but is not limited to, consideration of the relevant knowledge and diversity of backgrounds, skills, experience and perspectives that would complement the existing Board.

3 meetings were held in 2014. Issues concerning the structure, size and composition of the Board were discussed and reviewed. The number of NC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

Audit Committee

The Audit Committee of the Company (the "AC") comprises 3 Independent Non-executive Directors: Dr. Lo Wing Yan, William (Chairman of the AC), Mr. Chau Shing Yim, David and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's internal and external auditors. The terms of reference of the AC are available at the websites of the Company and the Stock Exchange.

The AC held 2 meetings in 2014, in which the Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters so as to ensure that an effective control environment is maintained. The number of AC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

The AC also made its recommendation to the Board that the external auditors should be reappointed and approved the remuneration and the terms of engagements of the external auditors.

The internal and external auditors have unrestricted access to the AC, which ensures that their independence remains unimpaired.

There are no disagreement between the Board and the AC on the selection, appointment, resignation or dismissal of the external auditors.

The AC meets and holds discussions with the Executive Directors and other senior management of the Group on the interim results, preliminary results announcement and annual reports. The AC reviews and discusses the management's report and representations with a review to ensure that the Group's consolidated financial statements and prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Company's external auditors, KPMG, on the scope and the outcome of their annual audit of the consolidated financial statements.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Report of the Independent Auditor) for preparing the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The reporting responsibilities of KPMG are set out in the Report of the Independent Auditor on page 34 of this Annual Report.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group. The review covered financial, operational and compliance controls and risk management functions. To further strengthen its control system, the Company has established an Internal Audit Department to perform independent evaluations and reporting of the adequacy and effectiveness of the Company's controls, information system and operations.

Auditors' Remuneration

Total auditors' remuneration in relation to audit and non-audit services provided to the Group amounted to HK$3 million (2013: HK$4 million), of which a sum of HK$2 million (2013: HK$3 million) was paid to KPMG. Details of the external auditor's fees are set out in note 5(c) to the consolidated financial statements of this Annual Report.

Company Secretary

Mr. Ho Te Hwai, Cecil was appointed as the company secretary of the Company in March 2005. The biographical details of Mr. Ho are set out under the section headed "Board of Directors and Senior Management" in this Annual Report.

According to the Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2014.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders of the Company and the Board. The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as an extraordinary general meeting ("EGM") whenever necessary.

– Right to convene EGM

Members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "Registered Office") and its principal office at Units A – F, 35th Floor, Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Principal Office"), for the attention of the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the general meeting, signed by the member(s) concerned and may consist of several documents in like form, each signed by one or more of those members.

If the requisition is in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and
- At least 14 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

– Right to put enquiries to the Board

Members of the Company do not generally have any right to put forward enquiries to the Board. There is no procedure set out in the Bermuda Companies Act 1981 or in the Bye-Laws of the Company available for any member to put forward an enquiry to the Board. A member of the Company may, of course, at any time write to the Board and it is up to the Board to decide whether or not to entertain any request made by a member of the Company.

Members of the Company who have enquires about the above procedures or have enquires to put to the Board may write to the company secretary of the Company at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

– Right to put forward proposals at shareholders' meetings

Member(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all members having the right to vote at the shareholders' meeting; or (ii) not less than 100 members, can submit a written request stating the resolution intended to be moved at an AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular shareholders' meeting.

The written request/statements must be signed by the member(s) concern and deposited at the Registered Office and the Principal Office, for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in the case of any other requisition.

If the written request is in order, the company secretary of the Company will ask the Board (i) to include the resolution in the agenda for an AGM; or (ii) to circulate the statement for the shareholders' meeting, provided that the member(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the member(s) concerned in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid or the member(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the member(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the shareholders' meeting.

The procedures for shareholders of the Company to propose a person for election as a director is posted on the Company's website.

INVESTOR RELATIONS

The Company attaches great importance to communicate with shareholders of the Company and a number of means, including regular group meetings and plant tours, are used to promote greater understanding and dialogue with investment community. This also includes the annual general meeting, the annual and interim reports, notices, announcements and circulars. Key executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

The Group's website www.varitronix.com contains an "Investor & Media Relations" section which offers timely access to the Company's press releases, financial reports and major announcements.

The AGM is an important opportunity for communicating with shareholders. The Company's Chairman and Directors are available at the AGM to answer questions from shareholders of the Company.

During the year ended 31 December 2014, there had been no significant change in the Company's constitutional documents.

Report of The Directors

The Directors have pleasure in submitting herewith their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are design, manufacture and sale of liquid crystal displays and related products.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Notes 3, 4 and 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 14 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group 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 financial statements on pages 35 to 85 of this Annual Report.

DIVIDEND

The Board has recommended declaring a final dividend of 30.0 HK cents (2013: 38.0 HK cents) per share as compared to interim dividend of 12.0 HK cents (2013: 12.0 HK cents) per share representing a total of 42.0 HK cents (2013: 50.0 HK cents) per share for the year ended 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 May 2015 to Wednesday, 3 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the "2015 AGM"), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 27 May 2015.

Subject to the shareholders approving the recommended final dividend at the 2015 AGM of the Company, such dividend will be payable on or around Thursday, 9 July 2015 to shareholders whose names appear on the register of members of the Company on Friday, 12 June 2015. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 9 June 2015 to Friday, 12 June 2015 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2015.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 26(c) to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$481,000 (2013: HK$422,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in Note 26(a) to the financial statements. Details of movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

DIRECTORS

The Directors during the financial year and up to the date of this Annual Report were:

Executive Directors:

Mr. Ko Chun Shun, Johnson	*(Chairman)*
Mr. Tsoi Tong Hoo, Tony	(will resign on 31 March 2015)
Mr. Yuen Kin	(resigned on 3 October 2014)
Ms. Ko Wing Yan, Samantha	(appointed on 3 October 2014)
Mr. Ho Te Hwai, Cecil	

Independent Non-executive Directors:

Dr. Lo Wing Yan, William
Mr. Chau Shing Yim, David
Mr. Hou Ziqiang

In accordance with Bye-laws of the Company, Mr. Ko Chun Shun, Johnson, Ms. Ko Wing Yan, Samantha and Mr. Hou Ziqiang shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in shares of the Company

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company
Ko Chun Shun, Johnson	Interest of controlled corporations	54,651,000 (Note 1)	16.67
Ko Wing Yan, Samantha	Personal Interest	247,000	0.08

Notes:

(1) Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson, held 43,951,000 shares and 10,700,000 shares of the Company respectively.

(2) The above interests represented long positions.

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below, as at 31 December 2014, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 6 June 1991, the Company adopted a share option scheme. This is to provide the Group with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Group's employees and business associates (the "Participants"). It was subsequently amended on 8 June 1999 and expired on 5 June 2001. A second share option scheme of the Company was adopted on 22 June 2001 and terminated on 12 May 2003.

A third share option scheme of the Company was adopted on 12 May 2003 as an incentive to the Participants. The third share option scheme limit was subsequently refreshed by a resolution passed at the annual general meeting held on 2 June 2010. The maximum number of share options that can be granted by the Company was refreshed to 32,342,220 share options. This scheme expired on 11 May 2013.

A fourth share option scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years ending 2 June 2023. During the year ended 31 December 2014, no share option was granted under the fourth Share Option Scheme.

The Company can grant share options to the Participants for a consideration of HK$1.00 for each grant payable by the Participants. The maximum number of shares in respect of which share options may be granted under the fourth share option scheme and any other schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the fourth share option scheme. The maximum entitlement of each Participant in the total number of shares issued and to be issued upon exercise of share options granted under the fourth share option scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

Subscription price of the shares in relation to a share option shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to the Participants, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares. There shall be no minimum period for which the share options must be held before they are exercised but the Board may determine.

As at the date of this Annual Report, the total number of share options that can be granted was 32,561,520, representing 9.93% of the issued share capital of the Company. The total number of shares available for issue under the share option schemes as at 31 December 2014 represents 5.78% (2013: 6.84%) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 25 to the financial statements.

(b) Interests in share options of the Company

Movements in the Company's share options during the year are as follows:

Category	Date of grant	Number of share options at 1 January 2014	Number of share options granted during the year	Number of share options cancelled/ lapsed during the year	Number of share options exercised during the year	Number of share options at 31 December 2014	Exercisable period	Price per share to be paid on exercise of share options	Market value per share at date of grant of share options	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors										
Ko Chun Shun, Johnson	19 December 2005	3,000,000	–	–	–	3,000,000	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A
	24 June 2010	1,900,000	–	–	–	1,900,000	(Note 1)	HK$2.50	HK$2.50	N/A
Tsoi Tong Hoo, Tony (Note 2)	22 July 2005	3,000,000	–	–	–	3,000,000	22 July 2005 to 21 July 2015	HK$6.60	HK$6.55	N/A
	24 June 2010	1,900,000	–	–	–	1,900,000	(Note 1)	HK$2.50	HK$2.50	N/A
Yuen Kin (Note 3)	24 June 2010	320,000	–	–	(160,000)	160,000	(Note 1)	HK$2.50	HK$2.50	HK$8.00
Ho Te Hwai, Cecil	19 December 2005	3,000,000	–	–	–	3,000,000	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A
	24 June 2010	1,200,000	–	–	–	1,200,000	(Note 1)	HK$2.50	HK$2.50	N/A
Lo Wing Yan, William	24 June 2010	240,000	–	–	–	240,000	(Note 1)	HK$2.50	HK$2.50	N/A
Chau Shing Yim, David	24 June 2010	400,000	–	–	(240,000)	160,000	(Note 1)	HK$2.50	HK$2.50	HK$8.77
Hou Ziqiang	24 June 2010	400,000	–	–	–	400,000	(Note 1)	HK$2.50	HK$2.50	N/A
Others										
Chang Chu Cheng (Note 4)	21 December 2004	300,000	–	(300,000) (Note 5)	–	0	21 December 2004 to 20 December 2014	HK$7.45	HK$7.45	N/A
	19 December 2005	3,000,000	–	–	–	3,000,000	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A
Employees	20 December 2004	1,673,000	–	(1,653,000) (Note 5)	(20,000)	0	20 December 2004 to 19 December 2014	HK$7.50	HK$7.50	HK$8.01
	24 June 2010	2,010,000	–	–	(1,010,000)	1,000,000	(Note 1)	HK$2.50	HK$2.50	HK$7.58
		22,343,000	–	(1,953,000)	(1,430,000)	18,960,000				

Notes:

(1) Exercisable period:

(i) the first 20% of the share options shall be exercisable from 1 July 2011 to 30 June 2016;

(ii) the second 20% of the share options shall be exercisable from 1 July 2012 to 30 June 2016;

(iii) the third 20% of the share options shall be exercisable from 1 July 2013 to 30 June 2016;

(iv) the fourth 20% of the share options shall be exercisable from 1 July 2014 to 30 June 2016; and

(v) the remaining 20% of the share options shall be exercisable from 1 July 2015 to 30 June 2016.

(2) Mr. Tsoi Tong Hoo, Tony will resign as an Executive Director on 31 March 2015.

(3) Mr. Yuen Kin resigned as an Executive Director on 3 October 2014.

(4) Dr. Chang Chu Cheng ("Dr. Chang") retired as Director and became Honorary Chairman on 11 June 2007. The 3,000,000 share options held by Dr. Chang were retained until the end of the expiry of the exercisable period of the share options, and reclassified from the category 'Directors' to 'Others'.

(5) The share options are lapsed.

(6) All the interests disclosed above represent long positions.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2014, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

Messrs. Ko Chun Shun, Johnson, Tsoi Tong Hoo, Tony and Ho Te Hwai, Cecil have entered into management agreements with the Company which may be terminated by either party to the agreements at three months' notice.

Mr. Yuen Kin and Ms. Ko Wing Yan, Samantha have entered into a management agreement with the Company which may be terminated by either party to the agreement at one month's notice.

Independent Non-executive Directors are appointed for a period up to 31 December 2015 or such other date as agreed by the Independent Non-executive Directors and the Company.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the law of Bermuda.

BANK LOANS

Particulars of bank loans of the Group at 31 December 2014 are set out in Note 23 to the financial statements.

CAPITALISATION OF INTEREST

Particulars of interest expenses was capitalised by the Group during the year are set out in Note 5(a).

PROPERTIES

Particulars of the properties held by the Group are shown on page 87 of this Annual Report.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 86 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, for the year under review, the Company has maintained the prescribed public float under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the five largest customers of the Group accounted for 36% of the Group's total turnover while the largest customer of the Group accounted for 11% of the Group's total turnover. In addition, for the year ended 31 December 2014, the five largest suppliers of the Group accounted for 40% of the Group's total purchases while the largest supplier of the Group accounted for 14% of the Group's total purchases.

At no time during the year have the Directors or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's total issued share capital) had any interest in these major customers and suppliers.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Ko Chun Shun, Johnson, the Director of the Company, was appointed as an executive director of KuangChi Science Limited (formerly known as Climax International Company Limited) which is listed on the Main Board of the Stock Exchange in August 2014.

Mr. Tsoi Tong Hoo, Tony will resign as an Executive Director and the Chief Executive Officer of the Company with effect from 31 March 2015.

Mr. Yuen Kin resigned as an Executive Director and the Chief Financial Officer of the Company with effect from 3 and 27 October 2014 respectively.

Ms. Ko Wing Yan, Samantha was appointed as an Executive Director and the Chief Financial Officer of the Company with effect from 3 and 27 October 2014 respectively. Ms. Ko will be appointed as the Chief Executive Officer of the Company with effect from 31 March 2015. Ms. Ko has been re-designated as a non-executive director of China WindPower Group Limited, which is listed on the Main Board of the Stock Exchange, in September 2014. The company name of China WindPower Group Limited has changed to Concord New Energy Group Limited effective from 9 February 2015.

Dr. Lo Wing Yan, William, the Independent Non-Executive Director of the Company, was appointed as an independent non-executive director of CSI Properties Limited and Television Broadcasts Limited (which are listed on the Main Board of the Stock Exchange) in April 2014 and February 2015 respectively and as the vice chairman of Lovable International Holdings Limited in September 2014 respectively. Dr. Lo resigned as a non-executive director of South China Land Limited which is listed on the Growth Enterprise Market of the Stock Exchange and as the vice chairman of South China Media Group in March and August 2014 respectively.

Mr. Chau Shing Yim, David, the Independent Non-Executive Director of the Company, was appointed as the independent non-executive director of Richly Field China Development Limited which is listed on the Main Board of the Stock Exchange in February 2014.

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

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Ko Chun Shun, Johnson
Chairman

Hong Kong, 19 March 2015

Report of The Independent Auditor

Independent auditor's report to the shareholders of Varitronix International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Varitronix International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 35 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2015

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Turnover	3	**2,613,058**	2,604,172
Other operating income/(loss)	4	**37,304**	(18,456)
Change in inventories of finished goods and work in progress		**(48,253)**	102,023
Raw materials and consumables used		**(1,536,793)**	(1,654,315)
Staff costs		**(418,218)**	(384,707)
Depreciation		**(107,542)**	(83,698)
Other operating expenses		**(266,907)**	(252,790)
Profit from operations		**272,649**	312,229
Finance costs	5(a)	**(4,858)**	(2,446)
Share of profits less losses of associates		**14,422**	4,767
Profit before taxation	5	**282,213**	314,550
Income tax	6(a)	**(31,771)**	(71,400)
Profit for the year		**250,442**	243,150
Attributable to:			
Equity shareholders of the Company	9	**250,442**	243,150
Non-controlling interests		**–**	–
Profit for the year		**250,442**	243,150
Earnings per share (in HK cents)	11		
Basic		**76.5 cents**	74.7 cents
Diluted		**74.8 cents**	73.5 cents

The notes on pages 41 to 85 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Profit for the year		**250,442**	243,150
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments: net movement in the exchange reserve		**(27,462)**	32,344
Available-for-sale securities: net movement in the fair value reserve		**138**	938
Other comprehensive income for the year		**(27,324)**	33,282
Total comprehensive income for the year		**223,118**	276,432
Attributable to:			
Equity shareholders of the Company		**223,118**	276,432
Non-controlling interests		**–**	–
Total comprehensive income for the year		**223,118**	276,432

The notes on pages 41 to 85 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Fixed assets	13		
– Property, plant and equipment		**486,455**	553,095
– Interest in leasehold land held for own use under operating leases		**12,200**	13,350
		498,655	566,445
Interest in associates	15	**124,627**	114,247
Loans receivable	16	**46,500**	62,000
Other financial assets	17	**29,569**	29,878
Deferred tax assets	24(b)	**725**	725
		700,076	773,295
Current assets			
Trading securities	18	**158,919**	141,032
Inventories	19	**383,789**	464,292
Trade and other receivables	20	**603,822**	657,022
Other financial assets	17	**19,840**	41,600
Current tax recoverable	24(a)	**9,707**	3,506
Fixed deposits with banks	21	**38,370**	–
Cash and cash equivalents	21	**536,501**	555,148
		1,750,948	1,862,600
Current liabilities			
Trade and other payables	22	**411,695**	548,020
Bank loans	23	**184,362**	243,086
Current tax payable	24(a)	**13,010**	51,919
		609,067	843,025
Net current assets		**1,141,881**	1,019,575
Total assets less current liabilities		**1,841,957**	1,792,870
Non-current liabilities			
Bank loans	23	**44,395**	59,147
Deferred tax liabilities	24(b)	**5,461**	5,539
		49,856	64,686
NET ASSETS		**1,792,101**	1,728,184
CAPITAL AND RESERVES			
Share capital	26(c)	**81,979**	81,621
Reserves		**1,709,878**	1,646,319
Total equity attributable to equity shareholders of the Company		**1,791,857**	1,727,940
Non-controlling interests		**244**	244
TOTAL EQUITY		**1,792,101**	1,728,184

Approved and authorised for issue by the board of directors on 19 March 2015

Ko Wing Yan, Samantha
Director

Ko Chun Shun, Johnson
Director

The notes on pages 41 to 85 form part of these financial statements.

Consolidated Financial Statements

Statement of Financial Position

at 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Investments in subsidiaries	14	**969,275**	851,865
Loans receivable	16	**46,500**	62,000
		1,015,775	913,865
Current assets			
Other receivables	20	**15,832**	37,879
Cash and cash equivalents	21	**6,652**	2,121
		22,484	40,000
Current liabilities			
Other payables	22	**8,349**	7,347
Current tax payable	24(a)	**2**	3
		8,351	7,350
Net current assets		**14,133**	32,650
NET ASSETS		**1,029,908**	946,515
CAPITAL AND RESERVES			
Share capital	26(c)	**81,979**	81,621
Reserves	26(a)	**947,929**	864,894
TOTAL EQUITY		**1,029,908**	946,515

Approved and authorised for issue by the board of directors on 19 March 2015

Ko Wing Yan, Samantha
Director

Ko Chun Shun, Johnson
Director

The notes on pages 41 to 85 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
	Note	Share capital (note 26(c)) $'000	Share premium (note 26(d)(i)) $'000	Exchange reserve (note 26(d)(iii)) $'000	Fair value reserve (note 26(d)(iv)) $'000	Capital reserve (note 26(d)(v)) $'000	Other reserves (note 26(d)(vi)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013		81,049	697,739	76,391	13,868	19,212	2,165	658,400	1,548,824	244	1,549,068
Changes in equity for 2013:											
Profit for the year		–	–	–	–	–	–	243,150	243,150	–	243,150
Other comprehensive income	10	–	–	32,344	938	–	–	–	33,282	–	33,282
Total comprehensive income		–	–	32,344	938	–	–	243,150	276,432	–	276,432
Transfer to surplus reserve		–	–	–	–	–	10,301	(10,301)	–	–	–
Dividends approved in respect of the previous year	26(b)(ii)	–	–	–	–	–	–	(65,143)	(65,143)	–	(65,143)
Issuance of shares upon exercise of share options	26(c)(ii)	572	7,252	–	–	(2,099)	–	–	5,725	–	5,725
Equity settled share-based transactions		–	–	–	–	1,273	–	–	1,273	–	1,273
Dividends declared in respect of the current year	26(b)(i)	–	–	–	–	–	–	(39,171)	(39,171)	–	(39,171)
Balance at 31 December 2013 and 1 January 2014		**81,621**	**704,991**	**108,735**	**14,806**	**18,386**	**12,466**	**786,935**	**1,727,940**	**244**	**1,728,184**
Changes in equity for 2014:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**250,442**	**250,442**	**–**	**250,442**
Other comprehensive income	10	**–**	**–**	**(27,462)**	**138**	**–**	**–**	**–**	**(27,324)**	**–**	**(27,324)**
Total comprehensive income		**–**	**–**	**(27,462)**	**138**	**–**	**–**	**250,442**	**223,118**	**–**	**223,118**
Dividends approved in respect of the previous year	26(b)(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**(124,239)**	**(124,239)**	**–**	**(124,239)**
Issuance of shares upon exercise of share options	26(c)(ii)	**358**	**4,661**	**–**	**–**	**(1,343)**	**–**	**–**	**3,676**	**–**	**3,676**
Equity settled share-based transactions		**–**	**–**	**–**	**–**	**705**	**–**	**–**	**705**	**–**	**705**
Dividends declared in respect of the current year	26(b)(i)	**–**	**–**	**–**	**–**	**–**	**–**	**(39,343)**	**(39,343)**	**–**	**(39,343)**
Balance at 31 December 2014		**81,979**	**709,652**	**81,273**	**14,944**	**17,748**	**12,466**	**873,795**	**1,791,857**	**244**	**1,792,101**

The notes on pages 41 to 85 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Cash generated from operations	21(b)	**344,556**	388,821
Tax paid			
– Hong Kong Profits Tax paid		**(53,008)**	(6,173)
– People's Republic of China ("PRC") income taxes paid		**(17,020)**	(12,372)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC		**(6,931)**	(7,778)
Net cash generated from operating activities		**267,597**	362,498
Investing activities			
Proceeds from disposal of fixed assets		**1**	64
Payment for the purchase of fixed assets		**(70,537)**	(118,064)
Payment for the purchase of held-to-maturity debt securities		**(4,410)**	–
Payment for the purchase of certificates of deposits		**(31,871)**	(46,731)
Placement of fixed deposit with banks		**(38,370)**	–
Proceeds from redemption of certificates of deposits		**31,754**	31,115
Proceeds from redemption of held-to-maturity debt securities		**25,000**	–
Proceeds from consideration received from disposal of non-listed available-for-sale equity securities and associated loans receivable		**37,200**	–
Proceeds from the sale of trading securities		**9,354**	10,831
Payment for the purchase of trading securities		**(12,803)**	(52,567)
Dividends received from investments in trading and available-for-sale securities		**585**	2,924
Dividends received from associates		**4,473**	4,252
Interest received		**4,324**	5,953
Net cash used in investing activities		**(45,300)**	(162,223)

	Note	2014 $'000	2013 $'000
Financing activities			
Issuance of shares upon exercise of share options	26(c)(ii)	**3,676**	5,725
Proceeds from new bank loans		**227,815**	259,245
Repayment of bank loans		**(296,692)**	(267,910)
Interest paid		**(4,662)**	(4,528)
Dividends paid		**(163,582)**	(104,314)
Net cash used in financing activities		**(233,445)**	(111,782)
Net (decrease)/increase in cash and cash equivalents		**(11,148)**	88,493
Cash and cash equivalents at 1 January		**555,148**	464,178
Effect of foreign exchange rates changes		**(7,499)**	2,477
Cash and cash equivalents at 31 December	21(a)	**536,501**	555,148

The notes on pages 41 to 85 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale or as trading securities and derivative financial instruments are stated at their fair value (see notes 1(g) and (h)).

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of which the following amendments are relevant to the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amend HKFRSs are discussed below:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

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

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The initial adoption in 2014 do not have an impact on these financial statements as the Company does not have any impaired non-financial assets as at 31 December 2014.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identified net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes 1(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of associates and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of associates' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the accounting policies set out in notes 1(u)(ii) and 1(u)(iii) respectively.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(u)(ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(u)(iii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs on related borrowed funds, to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation of these costs ceases and the construction in progress is transferred to relevant categories of fixed assets when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

–	Land and buildings	40 years
–	Plant and machinery	2 to 8 years
–	Tools and equipment	2 to 5 years
–	Others	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the lease term. Impairment losses are recognised in accordance with the accounting policy set out in note 1(k).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

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

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

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

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

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

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

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

- property, plant and equipment;
- prepaid interest in leasehold land classified as being held for own use under operating leases;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversal of impairment losses

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(l) Inventories

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

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses of doubtful debts (see note 1(k)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Loans receivable

Loans receivable are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired (see note 1(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

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

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised at the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of returns and any trade discounts.

(ii) Dividends

Dividend income from listed investments is recognised when the share price of the security goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Research and development

Research and development expenditure is recognised as an expense in the period in which it is incurred.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations with functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Hong Kong dollars, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

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

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

   (ii) has significant influence over the Group; or

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

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

   (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 employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (1).

   (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(z) Segment reporting

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

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

2. ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 17, 25 and 27(g) contain information about assumptions and their risk factors relating to valuation of other non-current financial assets, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(b) Write-down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 1(l). Management estimates net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversal of write-down made in prior years and affect the Group's net asset value and profit or loss.

(c) Depreciation

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimations.

(d) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 24(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In case where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays ("LCDs") and related products.

Turnover represents the invoiced value of goods supplied to customers by the Group less returns and discounts.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues in 2014 (2013: one). In 2014 revenues from sales to this customer in terms of sales amount, including sales to entities which are known to the Group to be under common control with such customer, amounted to approximately $276,681,000 (2013: $265,913,000). Details of concentrations of credit risk are set out in note 27(a).

Further details regarding the Group's segment reporting are disclosed in note 12 to these financial statements.

4. OTHER OPERATING INCOME/(LOSS)

	2014 $'000	2013 $'000
Dividend income from listed equity securities	**585**	2,924
Interest income from listed debt securities	**971**	2,295
Interest income from non-listed debt securities	**167**	2,727
Other interest income	**2,917**	931
Net gain on disposal of fixed assets	**–**	64
Impairment loss and loss on disposal on non-listed available-for-sale equity securities and associated loans receivable (note)	**–**	(58,470)
Net realised and unrealised gain on trading securities	**14,438**	2,246
Net exchange gain	**18,858**	11,447
Government grants	**–**	9,165
Other (loss)/income	**(632)**	8,215
	37,304	(18,456)

Note: During the year ended 31 December 2013, the Company completed a transaction to sell its entire equity interest in a non-listed equity securities and associated loans receivable at a consideration of US$12,800,000 (equivalent to $99,200,000). An impairment loss of $40,700,000 and a loss on disposal of $17,770,000 had been recognised. US$2,800,000 (equivalent to $21,700,000) of the consideration was payable in January 2014 and the remaining US$10,000,000 (equivalent to $77,500,000) is receivable by five equal annual instalments starting from 1 July 2014 and has been recognised as loans receivable. Further details of transaction are set out in the Company's announcements dated 13 September 2013 and 31 October 2013. As at 31 December 2014, the Company has received US$2,800,000 (equivalent to $21,700,000) and US$2,000,000 (equivalent to $15,500,000) according to the repayment schedule.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2014 $'000	2013 $'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	**4,858**	4,725
	Less: interest expense capitalised into construction in progress*	**–**	(2,279)
		4,858	2,446

* The borrowing costs had been capitalised at a rate of 1.30 – 1.73% per annum during the year ended 31 December 2013.

		2014 $'000	2013 $'000
(b)	**Impairment losses (reversed)/recognised**		
	Trade and other receivables in respect of:		
	– allowance for doubtful debts	**(63)**	–
	– allowance for sales return provision	**(2,836)**	1,042

		2014 $'000	2013 $'000
(c)	**Other items**		
	Cost of inventories (note 19(b))	**2,003,916**	1,916,528
	Auditors' remuneration:		
	– audit services fees	**3,027**	3,390
	– non-audit services fees	**300**	300
	Research and development costs	**190,029**	186,890
	Operating lease charges: minimum lease payments – hire of assets (including property rentals)	**6,663**	6,283
	Contributions to defined contribution retirement plans	**25,651**	21,558
	Equity settled share-based payment expenses	**705**	1,273

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 $'000	2013 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**17,458**	44,546
Over-provision in respect of prior years	**(7,268)**	(264)
	10,190	44,282
Current tax – the PRC income taxes		
Provision for the year	**17,265**	21,541
Over-provision in respect of prior years	**(5,027)**	(3,394)
	12,238	18,147
Current tax – Jurisdictions outside Hong Kong and the PRC		
Provision for the year	**9,824**	6,327
Over-provision in respect of prior years	**(403)**	(1,115)
	9,421	5,212
Deferred tax		
Origination and reversal of temporary differences (note 24(b))	**(78)**	3,759
	31,771	71,400

(i) Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

(ii) PRC income taxes

According to the Corporate Income Tax Law of the PRC with effect from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC is 25%.

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 2013 and 2014.

Withholding tax is levied on dividend distributions arising from profit of Varitronix Heyuan earned after 1 January 2008 based on an applicable tax rate at 5%.

(iii) Jurisdictions outside Hong Kong and the PRC

Taxation for subsidiaries with operations outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 $'000	2013 $'000
Profit before taxation	**282,213**	314,550
Notional tax expense on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**44,148**	77,533
Tax effect of non-deductible expenses	**6,170**	12,285
Tax effect of non-taxable income	**(6,752)**	(4,323)
Tax effect of tax rates differentials in respect of tax expenses for jurisdictions outside local operations	**(362)**	(12,343)
Tax effect of unused tax losses not recognised	**1,265**	3,021
Over-provisions in respect of prior years	**(12,698)**	(4,773)
Actual tax expense	**31,771**	71,400

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), and the requirements of the Listing Rules is as follows:

Year ended 31 December 2013

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share-based payments $'000	Total $'000
Executive Directors						
Ko Chun Shun, Johnson	–	2,779	400	120	226	3,525
Tsoi Tong Hoo, Tony	–	5,200	5,000	240	226	10,666
Ho Te Hwai, Cecil	–	540	300	12	142	994
Yuen Kin	–	2,061	300	15	95	2,471
Non-executive Directors						
Dr. Lo Wing Yan, William	200	–	–	–	47	247
Hou Ziqiang	200	–	–	–	47	247
Chau Shing Yim, David	200	–	–	–	47	247
Total	600	10,580	6,000	387	830	18,397

Year ended 31 December 2014

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share-based payments $'000	Total $'000
Executive Directors						
Ko Chun Shun, Johnson	**–**	**2,526**	**400**	**64**	**118**	**3,108**
Tsoi Tong Hoo, Tony	**–**	**6,100**	**5,500**	**285**	**118**	**12,003**
Ho Te Hwai, Cecil	**–**	**240**	**300**	**12**	**75**	**627**
Yuen Kin	**–**	**1,760**	**–**	**13**	**50**	**1,823**
Ko Wing Yan, Samantha	**–**	**382**	**150**	**4**	**–**	**536**
Non-executive Directors						
Dr. Lo Wing Yan, William	**200**	**–**	**–**	**–**	**25**	**225**
Hou Ziqiang	**200**	**–**	**–**	**–**	**25**	**225**
Chau Shing Yim, David	**200**	**–**	**–**	**–**	**25**	**225**
Total	**600**	**11,008**	**6,350**	**378**	**436**	**18,772**

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2013: three) are Directors, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2013: two) individuals are as follows:

	2014 $'000	2013 $'000
Salaries and allowances	**4,527**	3,889
Retirement scheme contributions	**119**	113
	4,646	4,002

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following band:

	2014 Number of individual	2013 Number of individual
$1,500,001 – $2,500,000	**1**	2
$2,500,001 – $3,000,000	**1**	–

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $2,406,000 (2013: $62,451,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2014 $'000	2013 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**(2,406)**	(62,451)
Dividends from subsidiaries attributable to the profits of subsidiaries, approved and paid during the year	**245,000**	264,000
Company's profit for the year (note 26(a))	**242,594**	201,549

10. OTHER COMPREHENSIVE INCOME

There are no tax effects in respect of the components of other comprehensive income.

Components of other comprehensive income are as follows:

	2014 $'000	2013 $'000
Foreign currency translation adjustments:		
Exchange differences on translation of financial statements of operations outside Hong Kong	**(27,462)**	32,344
Available-for-sale securities:		
Changes in fair value recognised during the year	**302**	938
Reclassification to profit or loss on impairment	**(164)**	–
	138	938

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $250,442,000 (2013: $243,150,000) and the weighted average number of shares of 327,261,561 shares (2013: 325,607,204 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**326,485,204**	324,195,204
Effect of share options exercised	**776,357**	1,412,000
Weighted average number of ordinary shares at 31 December	**327,261,561**	325,607,204

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $250,442,000 (2013: $243,150,000) and the weighted average number of shares of 334,655,668 shares (2013: 330,912,087 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2014	2013
Weighted average number of ordinary shares at 31 December	**327,261,561**	325,607,204
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**7,394,107**	5,304,883
Weighted average number of ordinary shares (diluted) at 31 December	**334,655,668**	330,912,087

12. SEGMENT REPORTING

(a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the turnover and operating profits is derived from this business segment. The consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined that a single operating segment exists based on this internal reporting.

The Board assesses the performance of the operating segments based on turnover which is consistent with that in the consolidated financial statements. Other information, being the total assets excluding deferred tax assets, loans receivable, other financial assets, trading securities, current tax recoverable and the interest in associates, all of which are managed on a central basis, are provided to the Board to assess the performance of the operating segment.

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's fixed assets and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of interest in associates.

(i) Group's revenues from external customers

	2014 $'000	2013 $'000
The PRC (place of domicile)	**923,550**	913,846
Europe	**942,295**	947,475
America	**315,827**	304,436
Korea	**206,008**	242,894
Others	**225,378**	195,521
	1,689,508	1,690,326
Consolidated turnover	**2,613,058**	2,604,172

Revenue from external customers located in Europe is analysed as follows:

	2014 $'000	2013 $'000
France	**150,636**	194,698
Germany	**115,815**	93,048
United Kingdom	**115,162**	112,053
Italy	**68,146**	67,492
Other European countries	**492,536**	480,184
	942,295	947,475

(ii) Group's specified non-current assets

	2014 $'000	2013 $'000
The PRC (place of domicile)	**495,931**	563,183
Germany	**119,349**	109,048
Korea	**5,278**	5,199
Others	**2,724**	3,262
	623,282	680,692

13. FIXED ASSETS

The Group

	Land and buildings held for own use $'000	Construction in progress $'000	Plant, machinery, tools and equipment $'000	Others $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost:							
At 1 January 2013	82,115	73,655	1,108,073	147,160	1,411,003	20,862	1,431,865
Exchange adjustments	2,152	2,376	25,225	3,164	32,917	552	33,469
Additions	38,468	–	66,507	6,821	111,796	–	111,796
Transfer	75,946	(76,031)	–	85	–	–	–
Disposals	–	–	(1,570)	(1,372)	(2,942)	–	(2,942)
At 31 December 2013	198,681	–	1,198,235	155,858	1,552,774	21,414	1,574,188
At 1 January 2014	**198,681**	**–**	**1,198,235**	**155,858**	**1,552,774**	**21,414**	**1,574,188**
Exchange adjustments	**(5,857)**	**–**	**(24,567)**	**(3,428)**	**(33,852)**	**(552)**	**(34,404)**
Additions	**7,589**	**–**	**42,712**	**4,916**	**55,217**	**–**	**55,217**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(745)**	**(208)**	**(953)**	**–**	**(953)**
At 31 December 2014	**200,413**	**–**	**1,215,635**	**157,138**	**1,573,186**	**20,862**	**1,594,048**
Accumulated amortisation and depreciation:							
At 1 January 2013	27,027	–	758,827	120,690	906,544	7,195	913,739
Exchange adjustments	712	–	10,622	1,790	13,124	124	13,248
Charge for the year	4,018	–	69,886	9,049	82,953	745	83,698
Written back on disposals	–	–	(1,570)	(1,372)	(2,942)	–	(2,942)
At 31 December 2013	31,757	–	837,765	130,157	999,679	8,064	1,007,743
At 1 January 2014	**31,757**	**–**	**837,765**	**130,157**	**999,679**	**8,064**	**1,007,743**
Exchange adjustments	**(951)**	**–**	**(15,075)**	**(2,768)**	**(18,794)**	**(146)**	**(18,940)**
Charge for the year	**8,172**	**–**	**92,475**	**6,151**	**106,798**	**744**	**107,542**
Written back on disposals	**–**	**–**	**(744)**	**(208)**	**(952)**	**–**	**(952)**
At 31 December 2014	**38,978**	**–**	**914,421**	**133,332**	**1,086,731**	**8,662**	**1,095,393**
Net book value:							
At 31 December 2014	**161,435**	**–**	**301,214**	**23,806**	**486,455**	**12,200**	**498,655**
At 31 December 2013	166,924	–	360,470	25,701	553,095	13,350	566,445

13. FIXED ASSETS (CONTINUED)

The Group (continued)

(a) Other fixed assets comprise mainly leasehold improvements, furniture, fixtures, office equipment and motor vehicles.

(b) The analysis of the net book value of properties is as follows:

	2014 $'000	2013 $'000
In Hong Kong		
– medium-term leases	**259**	267
Outside Hong Kong		
– freehold	**7,040**	7,340
– medium-term leases	**166,336**	172,667
	173,376	180,007
	173,635	180,274
Representing:		
Land and buildings held for own use	**161,435**	166,924
Interest in leasehold land held for own use under operating leases	**12,200**	13,350
	173,635	180,274

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 $'000	2013 $'000
Non-listed shares, at cost	**101,453**	101,453
Amounts due from subsidiaries	**867,822**	750,412
	969,275	851,865

All of these are controlled subsidiaries as defined under note 1(d) and have been consolidated into the Group's financial statements.

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms but the Company will not demand repayment within 12 months from the end of the reporting period.

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

(Expressed in Hong Kong dollars unless otherwise indicated)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
In Achieve Investments Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Kingstep Asia Limited	Hong Kong	1 ordinary share	100%	–	100%	Holding of investment securities
Link Score Investment Limited	Hong Kong	100 ordinary shares	100%	–	100%	Investment holding
Polysources Properties Limited	Hong Kong	2 ordinary shares 154 non-voting deferred ordinary shares	100%	–	100%	Property holding
Selamead Holdings Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Starel Trading Limited	Republic of Cyprus/ United Kingdom	1,000 shares of €1.71 each	100%	–	100%	Property holding
Steding Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Varitronix Limited	Hong Kong	2 ordinary shares 1,848 non-voting deferred ordinary shares	100%	–	100%	Design and sale of LCDs and related products
Varitronix (B.V.I.) Limited	British Virgin Islands/ Hong Kong	18,480 ordinary shares of US$1 each	100%	100%	–	Investment holding
Varitronix Finance Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Provision of financial co-ordination services for group companies and holding of investment securities
Varitronix France SAS	France	2,500 ordinary shares of €15.25 each	100%	–	100%	Marketing and sales consultants
Varitronix GmbH	Germany	100,000 shares of €0.51 each	100%	–	100%	Marketing and sales consultants

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Varitronix (Heyuan) Display Technology Limited#	The People's Republic of China	Paid-up registered capital RMB687,701,310	100%	–	100%	Manufacture and sale of LCDs and related products
Varitronix Investment Limited	British Virgin Islands/ Hong Kong	5,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Varitronix Italy s.r.l.	Italy	12,000 ordinary shares of €1 each	100%	–	100%	Marketing and sales consultants
Varitronix (Switzerland) GmbH	Switzerland	Registered capital CHF30,000	100%	–	100%	Marketing and sales consultants
Varitronix (U.K.) Limited	United Kingdom	100 ordinary shares of GBP10 each	100%	–	100%	Marketing and sales consultants
VL Electronics, Inc.	United States	5,000 common stock of US$10 each	100%	–	100%	Marketing and sales consultants

#	*Name of company*	*Type of legal entity*
	Varitronix (Heyuan) Display Technology Limited	Wholly owned foreign enterprise

15. INTEREST IN ASSOCIATES

	The Group	
	2014 **$'000**	2013 $'000
Share of net assets	**123,371**	112,938
Amount due from an associate	**1,256**	1,309
	124,627	114,247

The amount due from an associate is unsecured, interest free and has no fixed repayment terms but the Group will not require repayment within 12 months from the end of the reporting period.

15. INTEREST IN ASSOCIATES (CONTINUED)

(a) Particulars of the associates

Set out below are the particulars of the associates of the Group:

Name of associate	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Attributable indirect equity interest % held	Principal activity
New On Technology Company Limited	Korea	40,000 ordinary shares of KRW5,000 each	50%	Trading of electronic components
Data Modul AG* ("Data Modul")	Germany	3,394,000 common stock of no-par value bearer shares	20%	Production and distribution of electronic components and systems

* Data Modul's shares are listed on the Frankfurt Stock Exchange. The market price of Data Modul's shares as at 31 December 2014 was Euro 20.32 (2013: Euro 16.59) per share. The market value of the Group's effective interest in Data Modul as at 31 December 2014 is Euro 14,327,000 (2013: Euro 11,703,000) (equivalent to $134,816,000 (2013: $124,992,000)).

(b) Summary of financial information on associates

Summarised financial information of Data Modul, adjusted for any differences in accounting policies and fair value adjustments recognised on the date of acquisition, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2014 $'000	2013 $'000
Gross amounts of Data Modul's:		
Current assets	**733,100**	812,992
Non-current assets	**165,142**	172,670
Current liabilities	**(248,603)**	(409,728)
Non-current liabilities	**(52,894)**	(30,694)
Equity	**596,745**	545,240
Revenue	**1,616,651**	1,523,923
Profit from continuing operations	**70,665**	20,320
Other comprehensive income	**6,481**	(1,787)
Total comprehensive income	**77,146**	18,533
Dividend received from Data Modul	**4,473**	4,252
Reconciled to the Group's interests in Data Modul:		
Gross amounts of net assets of Data Modul	**596,745**	545,240
Group's effective interest	**20%**	20%
Group's share of net assets of Data Modul in the consolidated financial statements	**119,349**	109,048

15. INTEREST IN ASSOCIATES (CONTINUED)

(b) Summary of financial information on associates (continued)

Information of associate that is not individually material:

	2014 $'000	2013 $'000
Carrying amount of the individually immaterial associate in the consolidated financial statements	**5,278**	5,199
Amounts of the Group's share of that associate's:		
– Profit from continuing operations	**289**	703
– Other comprehensive income	**–**	–
Total comprehensive income	**289**	703

16. LOANS RECEIVABLE

Loans receivable are unsecured, interest free but guaranteed by the ultimate holding company of the debtor.

The loans receivable are repayable as follows:

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within 1 year*	**15,500**	15,500	**15,500**	15,500
After 1 year but within 5 years	**46,500**	62,000	**46,500**	62,000
	62,000	77,500	**62,000**	77,500

* The current portion of loans receivable has been included in trade and other receivables (note 20).

17. OTHER FINANCIAL ASSETS

	The Group	
	2014 $'000	2013 $'000
Non-current portion		
Available-for-sale debt securities		
Listed outside Hong Kong, carried at fair value	**10,491**	10,388
Available-for-sale mutual funds		
Non-listed, carried at fair value	**7,519**	7,168
Available-for-sale equity securities		
Listed in Hong Kong	**11,559**	12,322
Total other non-current financial assets	**29,569**	29,878

17. OTHER FINANCIAL ASSETS (CONTINUED)

	The Group		The Company	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current portion				
Held-to-maturity debt securities				
Listed outside Hong Kong, carried at amortised cost	**–**	25,600	**–**	–
Unlisted	**4,340**	–	**–**	–
	4,340	25,600	**–**	–
Certificate of deposits				
Issued by financial institutions in Hong Kong	**15,500**	16,000	**–**	–
Total current financial assets	**19,840**	41,600	**–**	–

The held-to-maturity debt securities are not past due or impaired.

18. TRADING SECURITIES

	The Group	
	2014 $'000	2013 $'000
Listed debt securities at fair value		
– Outside Hong Kong	**–**	3,835
Listed equity securities at fair value		
– In Hong Kong	**158,919**	137,197
Total	**158,919**	141,032

19. INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group	
	2014 $'000	2013 $'000
Raw materials	**142,700**	174,949
Work in progress	**100,378**	116,305
Finished goods	**140,711**	173,038
	383,789	464,292

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2014 $'000	2013 $'000
Carrying amount of inventories sold	**2,001,707**	1,920,674
Write-down of inventories	**3,563**	15
Reversal of write-down of inventories	**(1,354)**	(4,161)
	2,003,916	1,916,528

The reversal of write-down of inventories made in prior years is due to an increase in the estimated net realisable value of certain thin-film transistor LCDs as a result of changes in customer preferences.

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade debtors and bills receivable	**573,538**	595,647	**–**	–
Less: Allowance for doubtful debts	**(2,412)**	(2,475)	**–**	–
Allowance for sales returns	**(3,374)**	(6,210)	**–**	–
	567,752	586,962	**–**	–
Other receivables	**26,116**	59,847	**15,500**	37,549
Deposits and prepayments	**9,954**	10,213	**332**	330
	603,822	657,022	**15,832**	37,879

Except for the Group's rental deposit of $95,000 (2013: $1,020,000), all of the trade and other receivables are expected to be recovered or recognised as expense within 12 months from the end of the reporting period.

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable which are included in trade and other receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2014	2013
	$'000	$'000
Within 60 days of the invoice issue date	**388,079**	397,379
61 to 90 days after the invoice issue date	**92,688**	115,501
91 to 120 days after the invoice issue date	**53,843**	58,260
More than 120 days but less than 12 months after the invoice issue date	**33,142**	15,822
	567,752	586,962

Trade debtors and bills receivable are generally due within 60 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(k)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2014	2013
	$'000	$'000
At 1 January	**2,475**	2,475
Impairment loss reversed	**(63)**	–
At 31 December	**2,412**	2,475

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and bills receivable (continued)

The movement in the allowance for sales returns during the year, including both specific and collective estimation of sales returns, is as follows:

	The Group	
	2014 **$'000**	2013 $'000
At 1 January	**6,210**	5,168
Allowance for sales returns (reversed)/recognised	**(2,836)**	1,042
At 31 December	**3,374**	6,210

At 31 December 2014, the Group's trade debtors and bills receivable of $2,412,000 (2013: $2,475,000) were individually determined to be impaired. The individually impaired receivables related to customers those were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $2,412,000 (2013: $2,475,000) were recognised.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014 **$'000**	2013 $'000
Neither past due nor impaired	**388,394**	398,371
Less than 1 month	**92,793**	115,527
1 to 2 months	**54,067**	58,480
More than 2 months but less than 12 months	**35,872**	20,794
	182,732	194,801
	571,126	593,172

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

(a) Cash and cash equivalents and fixed deposits with banks comprise:

	The Group		The Company	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Fixed deposits with banks with maturity over 3 months but within 1 year	**38,370**	–	**–**	–
Deposits with banks and other financial institutions with maturity up to 3 months	**105,775**	104,240	**–**	–
Cash at banks and in hand	**430,726**	450,908	**6,652**	2,121
Cash and cash equivalents	**536,501**	555,148	**6,652**	2,121

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2014 $'000**	2013 $'000
Profit before taxation		**282,213**	314,550
Adjustments for:			
Depreciation		**107,542**	83,698
Finance costs	5(a)	**4,858**	2,446
Dividend income from listed equity securities	4	**(585)**	(2,924)
Interest income		**(4,055)**	(5,953)
Net realised and unrealised gain on trading securities	4	**(14,438)**	(2,246)
Impairment loss and loss on disposal on non-listed available-for-sale equity securities and associated loans receivable	4	**–**	58,470
Share of profits less losses of associates		**(14,422)**	(4,767)
Net gain on disposal of fixed assets	4	**–**	(64)
Equity settled share-based payment expenses	5(c)	**705**	1,273
Foreign exchange gain		**(777)**	(5,278)
		361,041	439,205
Changes in working capital:			
Decrease/(increase) in inventories		**78,634**	(96,412)
Decrease/(increase) in trade and other receivables		**27,408**	(91,399)
(Decrease)/increase in trade and other payables		**(122,527)**	137,427
Cash generated from operations		**344,556**	388,821

22. TRADE AND OTHER PAYABLES

	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Trade creditors	**332,979**	452,296	**–**	–
Accrued charges and other payables	**78,716**	95,724	**8,349**	7,347
	411,695	548,020	**8,349**	7,347

All creditors and accrued charges of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

As at the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group 2014 $'000	The Group 2013 $'000
Within 60 days of supplier invoice date	**249,309**	351,786
61 to 120 days after supplier invoice date	**77,284**	92,484
More than 120 days but within 12 months after supplier invoice date	**5,578**	6,920
More than 12 months after supplier invoice date	**808**	1,106
	332,979	452,296

23. BANK LOANS

At 31 December 2014, the unsecured and interest-bearing bank loans are repayable as follows:

	The Group 2014 $'000	The Group 2013 $'000
Current portion		
Within 1 year or on demand	**184,362**	243,086
Non-current portion		
After 1 year but within 2 years	**35,516**	59,147
After 2 years but within 5 years	**8,879**	–
	44,395	59,147
	228,757	302,233

All of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's statement of financial position ratios which are commonly found in lending arrangements with financial institutions. In the event that the Group breaches the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Such banking facilities amounted to $711,909,000 (2013: $628,394,000) as at 31 December 2014. The facilities were utilised to the extent of $228,757,000 (2013: $302,233,000). Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2014 and 2013, none of the covenants relating to drawn down facilities has been breached.

24. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Provision for Hong Kong Profits Tax for the year	**17,458**	44,546	**–**	–
Provisional Hong Kong Profits Tax paid	**(25,386)**	(6,860)	**–**	–
	(7,928)	37,686	**–**	–
Balance of Hong Kong Profits Tax relating to prior years	**7,518**	4,722	**–**	–
Taxation in respect of PRC income taxes	**4,401**	9,183	**–**	–
Taxation in respect of jurisdictions outside Hong Kong and the PRC	**(688)**	(3,178)	**2**	3
	3,303	48,413	**2**	3
Current tax recoverable	**(9,707)**	(3,506)	**–**	–
Current tax payable	**13,010**	51,919	**2**	3
	3,303	48,413	**2**	3

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess/(deficit) of the related depreciation $'000	Provisions $'000	Unremitted earnings $'000	Total $'000
Deferred tax arising from:				
At 1 January 2013	70	(220)	1,205	1,055
(Credited)/charged to profit or loss (note 6(a))	(36)	–	3,795	3,759
At 31 December 2013	34	(220)	5,000	4,814
At 1 January 2014	**34**	**(220)**	**5,000**	**4,814**
Credited to profit or loss (note 6(a))	**(78)**	**–**	**–**	**(78)**
At 31 December 2014	**(44)**	**(220)**	**5,000**	**4,736**

The reconciliation to the consolidated statement of financial position is as follows:

	2014	2013
	$'000	$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(725)**	(725)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**5,461**	5,539
	4,736	4,814

24. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $58,161,000 (2013: $48,529,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities for the foreseeable future. None of the tax losses expire under the current tax legislation.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "Share Option Scheme") of the Company was adopted on 12 May 2003 as an incentive for the Group's employees and business associates. The Directors are authorised, at their discretion, to invite any employee, director, including executive and non-executive directors or business associate of any company in the Group (the "Current Participants") to take up options to subscribe for shares in the Company at a price determined by the Board and notified to each grantee and which will not be less than the closing price of the shares on the Stock Exchange of Hong Kong (the "Stock Exchange") on the date of offer of the option granted to such grantee or the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option granted to such grantee or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other Share Option Schemes of the Company may not exceed 10 percent of the issued share capital of the Company at the date of approval of the Share Option Scheme. The options under the Share Option Scheme are exercisable for a period of ten years from the date of grant.

On 24 June 2010, the Company granted 11,700,000 share options to the Current Participants under the Share Option Scheme. Each share option entitles the holder to subscribe for one share of $0.25 of the Company at an exercise price of $2.50. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 30 June 2016. Among the 11,700,000 share options granted, 7,000,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 24 June 2010.

A new Share Option Scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years ending 2 June 2023.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
– 22 July 2005	3,000,000	Immediate from the date of grant	10 years
– 19 December 2005	6,000,000	Immediate from the date of grant	10 years
– 24 June 2010	7,000,000	Exercisable in five equal tranches immediately from 1 July of each year from 2011 to 2015	Expire at the close of business on 30 June 2016
Options granted to employees:			
– 6 October 2003	126,000	Immediate from the date of grant	10 years
– 20 December 2004	1,697,000	Immediate from the date of grant	10 years
– 24 June 2010	4,700,000	Exercisable in five equal tranches immediately from 1 July of each year from 2011 to 2015	Expire at the close of business on 30 June 2016
Others:			
– 21 December 2004	300,000	Immediate from the date of grant	10 years
– 19 December 2005	3,000,000	Immediate from the date of grant	10 years

(b) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$4.79**	**22,343,000**	$4.59	24,880,000
Exercised during the year	**$2.57**	**(1,430,000)**	$2.50	(2,290,000)
Forfeited during the year	**N/A**	**–**	$3.37	(121,000)
Lapsed during the year	**$7.49**	**(1,953,000)**	$7.35	(126,000)
Outstanding at the end of the year	**$4.68**	**18,960,000**	$4.79	22,343,000
Exercisable at the end of the year		**16,670,000**		17,763,000

There was no option granted during the year ended 31 December 2014 (2013: Nil).

The weighted average share price at the date of exercise for share options exercised during the year was $7.83 (2013: $5.61).

The options outstanding at 31 December 2014 had an exercise price which ranged from $2.50 to $6.60 (2013: $2.50 to $7.50) and a weighted average remaining contractual life of 1.10 years (2013: 2.02 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on the Black-Scholes pricing model. The contractual life of the share option and expectations of early exercise were incorporated into the Black-Scholes pricing model.

Fair value of and assumptions for share options granted on 24 June 2010	
Fair value at measurement date	$0.94
Share price	$2.50
Exercise price	$2.50
Weighted average volatility	43.89% – 50.29%
Weighted average share option life	3.52 – 5.52 years
Expected dividends	0.8%
Risk-free interest rate (based on Exchange Fund Notes)	1.30% – 1.80%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium (Note 26(d)(i)) $'000	Contributed surplus (Note 26(d)(ii)) $'000	Capital reserve (Note 26(d)(v)) $'000	Retained profits/ (accumulated losses) $'000	Total $'000
Balance at 1 January 2013		81,049	697,739	51,636	19,212	(7,354)	842,282
Changes in equity for 2013:							
Final dividends approved in respect of the previous year	26(b)(ii)	–	–	–	–	(65,143)	(65,143)
Profit and total comprehensive income for the year	9	–	–	–	–	201,549	201,549
Issuance of shares under share option scheme	26(c)(ii)	572	7,252	–	(2,099)	–	5,725
Equity settled share-based transactions		–	–	–	1,273	–	1,273
Interim dividend declared in respect of the current year	26(b)(i)	–	–	–	–	(39,171)	(39,171)
Balance at 31 December 2013		81,621	704,991	51,636	18,386	89,881	946,515
Balance at 1 January 2014		**81,621**	**704,991**	**51,636**	**18,386**	**89,881**	**946,515**
Changes in equity for 2014:							
Final dividends approved in respect of the previous year	26(b)(ii)	**–**	**–**	**–**	**–**	**(124,239)**	**(124,239)**
Profit and total comprehensive income for the year	9	**–**	**–**	**–**	**–**	**242,594**	**242,594**
Issuance of shares under share option scheme	26(c)(ii)	**358**	**4,661**	**–**	**(1,343)**	**–**	**3,676**
Equity settled share-based transactions		**–**	**–**	**–**	**705**	**–**	**705**
Interim dividend declared in respect of the current year	26(b)(i)	**–**	**–**	**–**	**–**	**(39,343)**	**(39,343)**
Balance at 31 December 2014		**81,979**	**709,652**	**51,636**	**17,748**	**168,893**	**1,029,908**

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 $'000	2013 $'000
Interim dividend declared and paid of 12.0 HK cents (2013: 12.0 HK cents) per share	**39,343**	39,171
Final dividend proposed after the end of reporting period of 30.0 HK cents (2013: 38.0 HK cents) per share	**98,375**	124,239
	137,718	163,410

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 $'000	2013 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 38.0 HK cents (2013: 20.0 HK cents) per share	**124,239**	65,143

(c) Share capital

(i) Authorised and issued share capital

	2014		2013	
	No. of shares '000	Amount $'000	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.25 each	**400,000**	**100,000**	400,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**326,485**	**81,621**	324,195	81,049
Issuance of shares under share option scheme	**1,430**	**358**	2,290	572
At 31 December	**327,915**	**81,979**	326,485	81,621

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issuance of shares under share option scheme

During the year ended 31 December 2014, options have been exercised to subscribe for 1,430,000 ordinary shares (2013: 2,290,000 ordinary shares) in the Company at a consideration of $3,676,000 (2013: $5,725,000) of which $358,000 (2013: $572,000) was credited to share capital and the balance of $3,318,000 (2013: $5,153,000) was credited to the share premium account. $1,343,000 (2013: $2,099,000) has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(r)(ii).

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price HK$	2014 Number	2013 Number
20 December 2004 to 19 December 2014	7.50	–	1,673,000
21 December 2004 to 20 December 2014	7.45	–	300,000
22 July 2005 to 21 July 2015	6.60	**3,000,000**	3,000,000
19 December 2005 to 18 December 2015	5.73	**9,000,000**	9,000,000
1 July 2011 to 30 June 2016	2.50	**6,960,000**	8,370,000
		18,960,000	22,343,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1991 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to shareholders. However, the Directors have no current intention to distribute this surplus.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 1(g) and 1(k).

(v) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(r)(ii).

(vi) Other reserves

Other reserves comprise statutory reserves required in respect of a subsidiary in accordance with the relevant rules and regulations in the PRC and the premium paid for the acquisition of non-controlling interests.

(vii) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to shareholders of the Company was $220,529,000 (2013: $141,517,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) plus unaccrued proposed dividends, less trading securities, fixed deposits with banks and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain a stable net debt-to-adjusted capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2014 and 2013 was as follows:

		The Group	
	Note	**2014 $'000**	2013 $'000
Current liabilities			
Trade and other payables	22	**411,695**	548,020
Bank loans	23	**184,362**	243,086
		596,057	791,106
Non-current liabilities			
Bank loans	23	**44,395**	59,147
Total debt		**640,452**	850,253
Add: Proposed dividends		**98,375**	124,239
Less: Trading securities	18	**(158,919)**	(141,032)
Fixed deposits with banks	21	**(38,370)**	–
Cash and cash equivalents	21	**(536,501)**	(555,148)
Net debt		**5,037**	278,312
Total equity		**1,792,101**	1,728,184
Less: Proposed dividends		**(98,375)**	(124,239)
Adjusted capital		**1,693,726**	1,603,945
Adjusted net debt-to-capital ratio		**0.3%**	17.4%

The Company is not subject to any externally imposed capital requirements. The Group is subject to certain externally imposed capital requirements to maintain the value of net assets at a level specified in its bank loan covenants (note 23).

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, deposits with banks and other financial institutions, trade and other receivables, loans receivable and investments in debt and equity securities. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. Cash at bank and deposits with banks and other financial institutions are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The status of the receivable is closely monitored to minimise any credit risk associated with these receivables. Trade receivables are generally due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In respect of loans receivable, the Group reviews the borrowers' financial information periodically. Management considers the credit quality of such loans to be good since the borrowers have a good repayment history.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2% (2013: 3%) and 12% (2013: 19%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of reporting period is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates currently applicable at the end of reporting period) and the earliest date that the Group and the Company can be required to pay:

The Group

	2014 Contractual undiscounted cash outflow					2013 Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Non-derivative liabilities:										
Bank loans	186,435	36,242	8,929	231,606	228,757	245,062	59,781	–	304,843	302,233
Trade and other payables	411,695	–	–	411,695	411,695	548,020	–	–	548,020	548,020
	598,130	36,242	8,929	643,301	640,452	793,082	59,781	–	852,863	850,253

The Company

	2014 Contractual undiscounted cash outflow					2013 Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Other payables	8,349	–	–	8,349	8,349	7,347	–	–	7,347	7,347
Financial guarantees issued:										
Maximum amount guaranteed (note 29)	186,435	36,242	8,929	231,606	228,757	245,062	59,781	–	304,843	302,233

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings issued at variable rates which expose the Group to cash flow interest rate risk. Loans receivable of $46,500,000 (2013: $62,000,000) are interest free and are carried at amortised cost. Held-to-maturity debt securities of $4,340,000 (2013: $25,600,000) bear interest at fixed rates and are carried at amortised cost. Accordingly, they do not expose the Group to cash flow interest rate risk on their interest income or fair value interest rate risk on their carrying amounts. In respect of available-for-sale debt securities of $10,491,000 (2013: $10,388,000) carried at fair value, they bear fixed interest rates and do not expose the Group to cash flow interest rate risk but expose the Group to fair value interest rate risk. The Group regularly reviews its strategy on interest rate risk management in light of prevailing market conditions.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	The Group			
	2014		2013	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:				
Bank loans	**2.07**	**139,058**	1.72	118,294
Variable rate borrowings:				
Bank loans	**1.01**	**89,699**	1.31	183,939
Total net borrowings		**228,757**		302,233
Net fixed rate borrowings as a percentage of total net borrowings		**60.8%**		39.1%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and its retained profits by approximately $749,000 (2013: $1,536,000). Other components of equity would not be materially affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments held by the Group. The impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis has been performed on the same basis for 2013.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group is also exposed to currency risk through bank loans drawn and other financial assets acquired which are denominated in a foreign currency. The currencies giving rise to these risks are primarily United States dollars, Euros, Japanese Yen and Renminbi.

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. Most of the sales and purchases are made in the respective functional currency of each group entity, except for group entities whose functional currency is Hong Kong dollars, certain transactions are denominated in United States dollars and Japanese Yen. Given the Hong Kong dollar is pegged to the United States dollar, the Group does not expect that there will be any significant currency risk associated with such United States dollars denominated transactions. In respect of balances denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	2014 Exposure to foreign currencies (expressed in Hong Kong dollars)				2013 Exposure to foreign currencies (expressed in Hong Kong dollars)			
	United States Dollars $'000	**Euros $'000**	**Japanese Yen $'000**	**Renminbi $'000**	United States Dollars $'000	Euros $'000	Japanese Yen $'000	Renminbi $'000
The Group								
Trade and other receivables	**370,807**	**–**	**–**	**146**	490,883	–	–	–
Other financial assets	**–**	**–**	**–**	**4,340**	–	–	–	25,600
Loans receivable	**46,500**	**–**	**–**	**–**	–	–	–	–
Cash and cash equivalents	**295,366**	**15,663**	**7,838**	**39,196**	299,747	11,996	24	13,227
Fixed deposits with banks	**–**	**–**	**–**	**38,370**	–	–	–	–
Trade and other payables	**(105,933)**	**(502)**	**(89,350)**	**–**	(199,659)	(486)	(80,871)	–
Bank loans	**(164,043)**	**–**	**(64,714)**	**–**	(211,749)	–	(37,151)	–
	442,697	**15,161**	**(146,226)**	**82,052**	379,222	11,510	(117,998)	38,827
The Company								
Other receivables	**15,500**	**–**	**–**	**–**	99,200	–	–	–
Cash and cash equivalents	**6,394**	**–**	**–**	**–**	1,832	–	–	–
Loans receivable	**46,500**	**–**	**–**	**–**	–	–	–	–
	68,394	**–**	**–**	**–**	101,032	–	–	–

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

In addition, the Group exposed to currency risk arising from inter-company receivables and payables denominated in currency other than the functional currency of either the lender or the borrower. The net inter-company receivables amounted to United States dollars 10,137,000 and Renminbi 9,690,000 (2013: receivables/(payables) amounted to United States dollars 10,002,000 and Renminbi (233,263,000)).

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies for group entities whose functional currency is Hong Kong dollars.

	2014			2013		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits $'000	Increase/ (decrease) in other components of equity $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits $'000	Increase/ (decrease) in other components of equity $'000
The Group						
United States dollars	**10%**	**15,767**	**–**	10%	19,972	–
	(10)%	**(15,767)**	**–**	(10)%	(19,972)	–
Euros	**10%**	**1,524**	**–**	10%	1,159	–
	(10)%	**(1,524)**	**–**	(10)%	(1,159)	–
Japanese Yen	**10%**	**(13,418)**	**–**	10%	(10,465)	–
	(10)%	**13,418**	**–**	(10)%	10,465	–
Renminbi	**10%**	**8,203**	**–**	10%	(22,243)	–
	(10)%	**(8,203)**	**–**	(10)%	22,243	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2013.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 18) and available-for-sale securities (see note 17). Other than unquoted securities held for strategic purposes, all of these investments are listed or with quoted market price provided by financial institutions.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock indexes and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The Group's unquoted investments were held for long term strategic purposes. Their performance was assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

With regards to securities held as trading securities and available-for-sale securities, as at 31 December 2014 it is estimated that an increase/decrease of 3% in the relevant stock market index (for listed investments) with all other variables held constant would have increased/decreased the Group's profit after taxation and retained profits by approximately $1,485,000 (2013: $2,093,000). Other components of equity would not be materially affected.

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

The analysis has been performed on the same basis for 2013.

(f) Fair values

Financial instruments carried at fair value

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

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

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

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

Financial instruments carried at fair value (continued)

	The Group		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
2014			
Assets			
Non-listed available-for-sale mutual funds	**–**	**7,519**	**7,519**
Listed available-for-sale debt securities	**10,491**	**–**	**10,491**
Listed available-for-sale equity securities	**11,559**	**–**	**11,559**
Trading securities	**158,919**	**–**	**158,919**
	180,969	**7,519**	**188,488**

	The Group		
	Level 1 $'000	Level 2 $'000	Total $'000
2013			
Assets			
Non-listed available-for-sale mutual funds	–	7,168	7,168
Listed available-for-sale debt securities	10,388	–	10,388
Listed available-for-sale equity securities	12,322	–	12,322
Trading securities	141,032	–	141,032
	163,742	7,168	170,910

During the year there were no significant transfers between instruments in Level 1 and Level 2.

Fair values of financial instruments carried at other than fair value

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

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

28. COMMITMENTS

(a) Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	The Group	
	2014 $'000	2013 $'000
Contracted for	**9,707**	31,331
Authorised but not contracted for	**21,531**	27,948
	31,238	59,279

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014 $'000	2013 $'000
Within 1 year	**4,246**	5,721
After 1 year but within 5 years	**304**	3,294
	4,550	9,015

All operating leases are for properties. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

29. CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued and the facilities drawn down by the subsidiaries is $228,757,000 (2013: $302,233,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

30. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 28 January 2015, the Group entered into an agreement to sell the Group's entire interest in Data Modul at a consideration of EUR19,393,990. Upon completion of the sale, Data Modul will cease to be an associate of the Group.

Upon completion of the disposal, the Group expects to record a gain on the disposal (before deducting the related translation costs) of approximately $53,000,000 in profit or loss based on a retranslation of the aggregate consideration at the applicable foreign exchange rate as of 19 March 2015.

Further details are set out in the Company's announcement dated 28 January 2015.

31. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors is disclosed in note 7 and certain of the highest paid employees is disclosed in note 8.

(b) Recurring transactions

During the year, the Group sold goods amounting to $56,797,000 (2013: $52,011,000) to Data Modul AG, an associate of the Group. The Directors of the Company are of the opinion that this related party transaction was conducted on normal commercial terms with reference to prevailing market prices, and in the ordinary course of business.

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the above developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The company is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

Five Year Summary

(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	**2014** **$'000**
Results:					
Continuing operations					
Turnover	2,255,851	2,131,410	2,222,380	2,604,172	**2,613,058**
Profit from operations	267,930	187,865	183,530	312,229	**272,649**
Finance costs	(3,358)	(1,754)	(2,096)	(2,446)	**(4,858)**
Share of profits less losses of associates	2,210	8,932	9,341	4,767	**14,422**
Profit before taxation	266,782	195,043	190,775	314,550	**282,213**
Income tax	(46,935)	(27,016)	(19,940)	(71,400)	**(31,771)**
Profit for the year from continuing operations	219,847	168,027	170,835	243,150	**250,442**
Discontinued operation					
Loss for the year from discontinued operation	(9,652)	–	–	–	**–**
Profit for the year	210,195	168,027	170,835	243,150	**250,442**
Attributable to:					
Equity shareholders of the Company	210,496	168,027	170,835	243,150	**250,442**
Non-controlling interests	(301)	–	–	–	**–**
Profit for the year	210,195	168,027	170,835	243,150	**250,442**
Assets and liabilities:					
Fixed assets	321,029	279,007	518,126	566,445	**498,655**
Interest in associates	101,905	107,673	113,917	114,247	**124,627**
Loans receivable	70,201	71,918	82,848	62,000	**46,500**
Other financial assets	186,083	203,519	131,719	29,878	**29,569**
Deferred tax assets	213	237	479	725	**725**
Net current assets	683,455	775,954	833,933	1,019,575	**1,141,881**
Total assets less current liabilities	1,362,886	1,438,308	1,681,022	1,792,870	**1,841,957**
Non-current bank loans	–	–	(129,304)	(59,147)	**(44,395)**
Non-current other payables	(3,186)	(2,214)	(1,116)	–	**–**
Deferred tax liabilities	(3,123)	(155)	(1,534)	(5,539)	**(5,461)**
Net assets	1,356,577	1,435,939	1,549,068	1,728,184	**1,792,101**
Capital and reserves					
Share capital	80,856	81,036	81,049	81,621	**81,979**
Reserves	1,267,223	1,354,659	1,467,775	1,646,319	**1,709,878**
Total equity attributable to equity shareholders of the Company	1,348,079	1,435,695	1,548,824	1,727,940	**1,791,857**
Non-controlling interests	8,498	244	244	244	**244**
Total equity	1,356,577	1,435,939	1,549,068	1,728,184	**1,792,101**
Earnings/(loss) per share (in HK cents)					
Continuing operations					
Basic	68.1	51.9	52.7	74.7	**76.5**
Diluted	68.1	51.3	52.4	73.5	**74.8**
Discontinued operation					
Basic	(3.0)	–	–	–	**–**
Diluted	(3.0)	–	–	–	**–**

Properties Held by The Group

	Location	Existing use	Percentage holding
1.	Flat G, 22nd Floor, Tower 1, Yue Man Centre, Nos. 300 and 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	Staff quarters	100%
2.	128 Heyuan Road, Yuancheng District Heyuan City, Guangdong, The People's Republic of China	Industrial	100%
3.	Unit 3 Milbanke Court, Milbanke Way, Bracknell, Berkshire, United Kingdom	Office	100%

Note: The above properties are either freehold, held on long or medium-term leases or have no specified lease term.

Corporate Information

HONORARY CHAIRMAN

Chang Chu Cheng

BOARD OF DIRECTORS

Ko Chun Shun, Johnson *(Chairman)*
Tsoi Tong Hoo, Tony (will resign on 31 March 2015)
Yuen Kin (resigned on 3 October 2014)
Ko Wing Yan, Samantha (appointed on 3 October 2014)
Ho Te Hwai, Cecil
Lo Wing Yan, William*
Chau Shing Yim, David*
Hou Ziqiang*

* Independent Non-executive Directors

COMPANY SECRETARY

Ho Te Hwai, Cecil

QUALIFIED ACCOUNTANT

Ho Te Hwai, Cecil

AUDIT COMMITTEE

Lo Wing Yan, William *(Chairman)*
Chau Shing Yim, David
Hou Ziqiang

REMUNERATION COMMITTEE

Lo Wing Yan, William *(Chairman)*
Hou Ziqiang
Ko Chun Shun, Johnson

NOMINATION COMMITTEE

Lo Wing Yan, William *(Chairman)*
Hou Ziqiang
Ko Chun Shun, Johnson

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ Ltd
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units A – F, 35/F., Legend Tower
No. 7 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F., Hopewell Centre
183 Queen's Road East
Hong Kong

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New York, NY 10286
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STOCK CODE

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