



King's Flair International  
(Holdings) Limited

科勁國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6822

# 2014

## Annual Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Siu Wah (*Chairman and Chief Executive Officer*)  
 Ms. Wong Fook Chi  
 Mr. Wong Ying Wai Dennis

### Independent Non-Executive Directors

Dr. Lau Kin Tak  
 Mr. Anthony Graeme Michaels  
 Ms. Leung Wai Ling, Wylie

### AUDIT COMMITTEE

Ms. Leung Wai Ling, Wylie (*Chairman*)  
 Dr. Lau Kin Tak  
 Mr. Anthony Graeme Michaels

### REMUNERATION COMMITTEE

Dr. Lau Kin Tak (*Chairman*)  
 Mr. Anthony Graeme Michaels  
 Ms. Leung Wai Ling, Wylie  
 Mr. Wong Siu Wah  
 Ms. Wong Fook Chi

## NOMINATION COMMITTEE

Mr. Wong Siu Wah (*Chairman*)  
 Dr. Lau Kin Tak  
 Mr. Anthony Graeme Michaels  
 Ms. Leung Wai Ling, Wylie

## RISK MANAGEMENT COMMITTEE

Ms. Wong Fook Chi (*Chairman*)  
 Dr. Lau Kin Tak  
 Ms. Leung Wai Ling, Wylie

## COMPANY SECRETARY

Mr. Po Tien Chu, Ronnie *HKICPA*

## AUDITOR

BDO Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
 Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

**HONG KONG SHARE REGISTRAR  
AND TRANSFER OFFICE**

Tricor Investor Services Limited  
22nd Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited

**REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE OF  
BUSINESS IN HONG KONG**

12th Floor, Yardley Commercial Building  
3 Connaught Road West  
Hong Kong

**STOCK CODE**

6822

**WEBSITE**

<http://www.kingsflair.com.hk>

## CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

2014 was a tremendous year for the Group, during which the Group again achieved record sales and profitability and towards the end of the year we completed the initial public offering process of listing ("Listing") the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and our shares commenced trading on 16 January 2015. We continue to grow as one of the pre-eminent kitchenware design and supply firms in our industry and go from strength to strength both financially and operationally.

In 2014, the Group has delivered a good performance and achieved steady year-on-year growth in sales. Total turnover rose by approximately 10.0% to approximately HK\$1,359.5 million, as compared to that of approximately HK\$1,236.3 million in 2013. Revenue growth was principally driven by increased order level from existing customers as well as the orders placed by new customers. Gross profit was approximately HK\$245.9 million for the financial year ended 31 December 2014 and the gross profit margin increased by approximately 2.9% to approximately 18.1% for the year as compared to 15.2% for 2013. The profit for the year increased by approximately 18.9% to approximately HK\$93.1 million as compared to HK\$78.3 million in 2013.

These remarkable results were achieved principally through our continued sales growth, the benefit we gained from increased tooling efficiencies, the depreciation of the Renminbi in the second half of 2014 and the impact of falling commodity prices in the final quarter of the year.

In terms of operation, I am pleased to report that we are making progress on the design capability and sales growth commitments we made in our prospectus dated 31 December 2014 (the "Prospectus").

## Chairman's Statement

The Group has been built over the years with a clear focus on offering our clients differentiated first-class services that combine great design with innovative product development and engineering capabilities. We have continued to invest in people, hardware and software to ensure we remain consistent in our ability to assist our customers deliver quality products to market in ever-shortening timeframes.

### A POSITIVE FUTURE

With over three decades of experience in the global kitchenware business, we believe we are well positioned to build on the record financial performance we achieved in 2014 and for continued growth over the long term.

I am confident that the Group has the right strategy to take us forward in the fast evolving global market for kitchenware products. In 2015, we are, for the first time, exhibiting at Ambiente, an important consumer goods trade show in Germany, as we further drive our international sales strategy in tandem with continued research and investment into expanding our market penetration in China.

The market is growing rapidly and I am pleased to report that we too are growing with our valuable established existing clients from the US and Europe as well as developing relationships with potential new clients in China, Eastern Europe, Africa and South America.

As the market grows, so does competition. It is in light of this competition we are now actively investing in patentable designs to further protect our sales growth and market penetration.

In closing, I would like to thank every one of our loyal customers, business partners and family of dedicated employees for their continued support. I would also like to welcome our new shareholders with thanks for their trust in us to create value for them and continue the growth and development of the business.

### **Wong Siu Wah**

*Chairman and Chief Executive Officer*

27 March 2015



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### **Mr. Wong Siu Wah**

Aged 58, founded the business of our Group in 1984 and was appointed as the Chairman and Executive Director on 25 June 2012 and held various positions within our Group. Mr. Wong has been a director of King's Flair Development Limited ("King's Flair Development"), a major operating subsidiary of our Company which is engaged in design, development and supply of kitchenware products, since 1989 and has been involved in business development and product engineering of kitchenware products in King's Flair Development. Mr. Wong has approximately 30 years of management and operation experience gained from the business operation of our Group. Mr. Wong is the Chief Executive Officer and is primarily responsible for the overall corporate strategic planning and corporate management of our Group. Mr. Wong is a member of the advisory committee for the department of mechanical engineering of the Hong Kong Polytechnic University since 2012. Mr. Wong is the spouse of Ms. Rebecca Cheng, a Controlling Shareholder, and the father of Ms. Wong Fook Chi, an Executive Director.

### **Ms. Wong Fook Chi**

Aged 31, joined our Group in 2006 and was appointed as an Executive Director on 25 June 2012 and held various positions within our Group. She has over 8 years of experience in the management and operation of kitchenware business gained from the business operation of our Group. Ms. Wong oversees the business operation and corporate strategy implementations of our Group. Ms. Wong previously held various positions in our Group in relation to sales, merchandising and relationship management. In 2006 Ms. Wong obtained a bachelor of science degree from the University of Toronto in Canada. Ms. Wong is the daughter of Mr. Wong, the Chairman and an Executive Director, and the step-daughter of Ms. Rebecca Cheng, a Controlling Shareholder.

### **Mr. Wong Ying Wai Dennis**

Aged 41, was appointed as an Executive Director on 20 August 2014. Mr. Wong has over 13 years of experience in the kitchenware industry gained from the business operation of Wonder Household Limited ("Wonder Household") which became a member of the Group since 31 December 2013. Mr. Wong is primarily responsible for the business operation and corporate management of the Group. From 12 April 2005 to 30 May 2012, Mr. Wong was a director of Wonder Household, and was responsible for its business development and corporate strategic planning. In 1998, Mr. Wong obtained a bachelor degree of commerce in management and organisational behavior from the University of Auckland in New Zealand.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Dr. Lau Kin Tak**

Aged 46, was appointed as an independent non-executive Director on 22 December 2014. Dr. Lau is currently an associate dean (industrial relations) of faculty of engineering of the Hong Kong Polytechnic University. Dr. Lau has over 10 years of experience in the mechanical engineering academic field gained from the Hong Kong Polytechnic University and has 3 years of experience as a craft apprentice in the Hong Kong Aircraft Engineering Company Limited (Stock Exchange stock code: 0044) which engages in aircraft engineering and maintenance business. Dr. Lau is a fellow of the Institution of Engineers Australia; a fellow of the Institution of Mechanical Engineers; a fellow of the Institute of Materials, Minerals and Mining; a fellow of the Institution of Engineering Designers; a fellow of the Hong Kong Institution of Engineers; and a member of European Academy of Sciences. In 2001, Dr. Lau was awarded a doctor of philosophy (PhD) by the Hong Kong Polytechnic University. In 1997 and 1996, Dr. Lau obtained a master degree and a bachelor degree, respectively, of engineering in aerospace engineering in the Royal Melbourne Institute of Technology in Australia.

#### **Mr. Anthony Graeme Michaels**

Aged 71, was appointed as an independent non-executive Director on 22 December 2014. Mr. Michaels has 36 years of combined industry experience gained from DKSH Holding Ltd. and its former entities and Zyliss Australia Pty Ltd. DKSH Holding Ltd. is a subsidiary of DKSH Holding AG (“DKSH”), which is a company listed on the SIX Swiss Exchange, which primarily engages in provision of market expansion services with focus in Asia. DKSH Australia Pty Ltd. (“DKSH Australia”), a wholly-owned subsidiary of DKSH, carries a variety of international kitchenware brands including, but not limited to, Zyliss, Cole & Mason, Cullinane, Turmix, Koenig and Outdoorchef. Mr. Michaels was Managing Director of the Consumer Goods Business Units of DKSH Australia. Mr. Michaels retired from DKSH Australia in July 2012.

#### **Ms. Leung Wai Ling, Wylie**

Aged 47, was appointed as an independent non-executive Director on 22 December 2014. Ms. Leung currently serves as the company secretary of Hong Wei (Asia) Holdings Company Limited (Stock Exchange stock code: 8191) and an associate director of Grandtop International Capital Limited, which engages in provision of corporate secretarial services. Ms. Leung possesses over 10 years experience in the finance and accounting. She had served as an independent non-executive director of two listed companies on the Stock Exchange, including Ming Kei Holdings Limited (Stock Exchange stock code: 8239) from 2002 to 2006 and Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (Stock Exchange stock code: 8047) from 2001 to 2005. Ms. Leung also worked as the financial controller of subsidiaries of Casablanca Group Limited (Stock Exchange stock code: 2223) for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S.

### SENIOR MANAGEMENT

#### **Mr. Wong Chi Man**

Aged 49, joined our Group in 1997 and is the supply chain and logistic manager of our Group. Mr. Wong is primarily responsible for the overall supplier management and oversees the supplies network and production capacity. He is also responsible for the management of the shipping department and the logistic arrangement of our Group. Mr. Wong has approximately 17 years experience in quality control and production coordination gained from the business operation of our Group.

## Biographical Details of Directors and Senior Management

### Mr. Wong Lok Hey

Aged 32, joined our Group in 2008, is the R&D development manager of our Group. Mr. Wong is primarily responsible for product design and product development of our Group. Mr. Wong has approximately 6 years of kitchenware design and development experience gained from our Group. Prior to joining our Group, Mr. Wong has over 3 years marketing experience in bathware industry. In 2008, Mr. Wong obtained a master degree of science in engineering (mechanical engineering) from the University of Hong Kong and, in 2005, obtained a bachelor degree of engineering in mechanical engineering from the University of Hong Kong.

### Mr. Po Tien Chu Ronnie

Aged 44, joined our Group in 2013 as the financial controller of our Group and is also the company secretary of our Company. Mr. Po is responsible for financial and accounting management, taxation and compliance of our Group. Mr. Po has over 10 years of experience in auditing and accounting field including over 6 years in Ernst & Young, 3 years in UHY Vocation HK CPA Limited and 1 year in BDO Limited. Mr. Po is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. In 1992, Mr. Po obtained a bachelor degree of arts in business studies and in 2005, Mr. Po obtained a master degree of professional accounting both from the Hong Kong Polytechnic University.

### Mr. Chow Chi Wai, Kevin

Aged 47, joined our Group in 2003, is a regional manager, sales and marketing of our Group. Mr. Chow is primarily responsible for the business development and customer relationships of the worldwide (excluding China) business of our Group. Mr. Chow has over 10 years experience in kitchenware business development gained from the business operation of our Group. Prior to joining our Group, Mr. Chow has approximately 10 years experience in marketing and merchandising field.

### Ms. Lam Hau Fung

Aged 50, joined our Group in 2008, is a regional manager, sales and marketing of our Group. Ms. Lam is primarily responsible for the business and customer relationships of the worldwide (excluding China) business of our Group. Ms. Lam has over 6 years of experience in the kitchenware business development gained from the business operation of our group. Prior to joining our Group, Ms. Lam has gained over 9 years experience in marketing and merchandising filed from various companies in Hong Kong. In 2003, Ms. Lam obtained a bachelor degree of arts in marketing from the University of Surrey in the United Kingdom.

### Mr. Chan Chi Man, Arthur

Aged 32, joined our Group in 2010, is the quality assurance manager of our Group. Mr. Chan is primarily responsible for the management of the quality control of our Group. Mr. Chan has over 4 years experience in the kitchenware industry gained from the business operation of our Group. Between June 2010 and June 2013, Mr. Chan was a senior merchandiser of Wonder Household. Before joining our Group, Mr. Chan has over 5 years experience in sales and marketing filed. In 2011, Mr. Chan obtained a master degree of science in quality management from the Hong Kong Polytechnic University and, in 2006, obtained a bachelor degree of science (honors) in computer studies from City University of Hong Kong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in designing, developing and supplying an extensive assortment of kitchenware products with its headquarters in Hong Kong. Our business is to supply mainly high-end global kitchenware products to international brandowner customers in North America, Europe and Asia. The Group's products include tools and gadgets, drinkware, bakeware and accessories, food preparation products and storage and accessories. Kitchenware industry is a fast-growing global industry. The Group differentiates itself by providing customised services including market research, concept creation, product design, product development, raw material sourcing, production factory sourcing, production engineering and control, quality assurance, order tracking and logistics, as well as other ancillary services. The Group aims to become a complete one-stop shop for kitchenware products to international kitchenware brand-owner customers.

## OPERATIONAL REVIEW

### Continue strengthening of product design, development and engineering capabilities

Strong product design, development and engineering capabilities are the Group's core business strength. As at 31 December 2014, the Group had a team of 5 full-time personnel engaged in market research, product design and development with an average of over 8 years of relevant experience in product design and development, and 8 full-time production engineers with average of over 10 years of relevant working experience in product development.

### Further expand the global customer base

During the year ended 31 December 2014, the Group received orders from over 100 customers. As at 31 December 2014, we have a sales and marketing team of over 35 employees. Apart from strengthening relationship with existing customers, the Group has regularly participated in Hong Kong trade fairs to establish new business opportunities with potential brand-owner customers. In 2015 the Group is, for the first time, exhibiting at Ambiente, an important trade show in Germany, as we further drive our international sales strategy, in tandem with continued research and investment into expanding our market penetration in China. Attending such major fairs is an important new step for the Group and one that will help to further drive our global growth.

### Deep commitment to quality and customer services

The Group values our quality control capability and believes it is one of our key strengths. In 2014, the production and quality control processes were carried out by a team of over 90 quality assurance professionals in the People's of Republic of China ("PRC") who provided quality control and production control services to us and were stationed at or near the production factories in the PRC and under the close supervision of our quality assurance management. During the financial year ended 2014, there were no major quality control issues encountered by the production factories to whom production had been outsourced.

The Group had neither received any major sales return nor any complaint about product quality from customers during the year.

## Management Discussion and Analysis

### FUTURE STRATEGY

The Group believes that companies which operate in the global kitchenware market must be able to closely track market trends and immediately assist their customers to bring products to market with the best innovative product design, development and engineering capabilities. As such the Group continues to invest in our people, hardware and software to ensure that we continue to bring innovation and value-added input to our customers.

As the Group strives to expand our sales efforts to a larger international audience through attendance at major global trade shows, the Group will continue to focus on meeting mid-tier and high-end kitchenware market demand, and ensure that we have the capability to cater for demand for a broad and diversified range of products. The Group also intends to enter into new markets with good growth potential such as Eastern Europe, Africa and South America, by working with local importers and trade agents where appropriate.

Closer to home, the Group continues to research opportunities in the PRC where a significant opportunity exists for us to deepen our market penetration. With current volatility in the PRC retail market the Group is taking a cautious approach towards expansion, but in line with our plans at the time of the Listing, we continue to pursue opportunities to further develop our own physical retail and e-commerce presence in the PRC market.

### FINANCIAL REVIEW

#### Revenue

In 2014, the Group again achieved steady year-on-year growth in sales. Total revenue achieved approximately HK\$1,359.5 million, representing an increase of approximately 10.0% as compared to that of approximately HK\$1,236.3 million in 2013. Revenue growth was principally driven by increased order levels from existing customers as well as the orders placed by new customers. We consider our continued revenue growth to be reflective of our strong design and engineering skills that we believe continue to differentiate us from our competitors in a highly competitive market.

In 2014, the aggregate revenue derived from the five largest customers was approximately HK\$1,109.4 million as compared to that of approximately HK\$1,029.6 million in 2013. The Group is also actively diversifying and expanding its customer base, while we expect that our current key customers will continue contributing to large percentage of the Group's revenue.

#### Cost of sales

During the year under review, cost of sales of the Group increased by approximately 6.2% to approximately HK\$1,113.5 million as compared to that of approximately HK\$1,048.3 million in 2013. Cost of sales as a percentage of revenue decreased to 81.9% for the year ended 31 December 2014 as compared to that of 84.8% for the year ended 31 December 2013.

The Group benefited from the lower cost of products in 2014 driven by two factors:

- The weakening of the Renminbi ("RMB") in the second half of 2014, which had a beneficial impact on the cost of goods sourced from the PRC; and
- The global reduction in commodity prices in the final quarter of 2014, which helped to reduce production costs of our suppliers.

#### Gross profit and gross profit margin

Gross profit was approximately HK\$245.9 million for the financial year ended 31 December 2014 (2013: HK\$188.0 million) and the gross profit margin increased by approximately 2.9% to approximately 18.1% for the year of 2014 (2013: 15.2%). This increase was mainly due to the lower cost of products as mentioned above.

#### Profit for the year

In the financial year ended 31 December 2014, profit for the year increased by approximately 18.9% to approximately HK\$93.1 million (2013: HK\$78.3 million). The increase in profit for the year was mainly driven by the lower cost of products.

## Management Discussion and Analysis

### Other income

In the financial year ended 31 December 2014, other income increased by approximately 13.5% to approximately HK\$12.4 million (2013: HK\$11.0 million) primarily due to increase in recharge from customers.

### Distribution expenses

Distribution expenses are primarily related to the PRC retail business which slightly decreased to approximately HK\$21.9 million in the financial year ended 31 December 2014 (2013: HK\$23.4 million).

### Administrative expenses

In the financial year ended 31 December 2014, administrative expenses increased by approximately 40.7% to approximately HK\$119.5 million (2013: HK\$84.9 million), mainly due to (i) expenses of approximately HK\$13.3 million incurred in relation to the Listing; (ii) approximately HK\$4.8 million incurred in amortisation of intangible assets; and (iii) approximately HK\$4.8 million incurred in consultancy fee.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 140 employees (2013: 130 employees). Total staff costs (including Directors' emoluments) were approximately HK\$56.7 million, as compared to approximately HK\$53.1 million for the year ended 31 December 2013.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

## SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Save as disclosed in the Prospectus and note 25 to the financial statements, there were no significant investment held as at 31 December 2014 nor are there other plans for material investments on capital assets.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2014, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the cash and bank balances amounted to approximately HK\$125.2 million (2013: HK\$136.7 million) which were mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD"). The Group's total bank borrowings amounted to approximately HK\$10.3 million (2013: HK\$20.7 million) which were all denominated in HKD. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for HKD borrowings. There was no change to the Group's capital structure since the Listing and up to the date of this annual report. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

The annual interest rate of the bank borrowings during the year ended 31 December 2014 was 2.5% (2013: 1.71%–3.75%).

## Management Discussion and Analysis

### Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2014 and 2013 were 15.2% and 17.8% respectively.

Prior to the Listing, the Group's operations were funded principally from the cashflows from operation and bank borrowings. The principal liquidity and capital requirements relate to the following:

- costs and expenses related to the operation of the business, including the cost of sales, distribution expenses and administrative expenses; and
- capital expenditures for the establishment of retail sales points and flagships stores in the PRC.

Since the Listing, the Group expects to fund our liquidity needs through cash flow from operations, bank borrowings, and the net proceeds of the share offer.

### FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

### PLEDGE OF ASSETS

At 31 December 2014, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$21.9 million (2013: HK\$22.7 million) and pledged time deposit of HK\$20.9 million (2013: HK\$9.6 million) were pledged to secure general banking facilities granted to the Group.

### USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK\$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

### CONTINGENT LIABILITIES

At 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

### CAPITAL COMMITMENTS

As at 31 December 2014, the Group has no significant outstanding capital commitment (2013: HK\$134,000).

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company (“Shareholders”) in an enlightened and open manner. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“Code Provisions”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). As the shares of the Company were not yet listed on the Stock Exchange until 16 January 2015 (the “Listing Date”), the Code Provisions were not applicable to the Company in the period under review. Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the Code Provisions, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah (“Mr. Wong”) is both the chief executive officer and the chairman of the Board of the Company which is in deviation from code provision A.2.1. We consider that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board composition and structure taking into account the background and experience of our Directors and the number of independent non-executive Directors on the Board.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. As the shares of the Company were not listed on the Stock Exchange until 16 January 2015, the Model Code was not applicable to the Company in the period under review. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this report.

## Corporate Governance Report

### BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee (each a “Board Committee” and collectively the “Board Committees”), to oversee different areas of the Company’s affairs.

The Board currently comprises three executive Directors, namely Mr. Wong, Ms. Wong Fook Chi and Mr. Wong Ying Wai Dennis and three independent non-executive Directors, namely, Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.

Their biographical details and (where applicable) their family relationships are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 6 to 8 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Stock Exchange’s and the Company’s website.

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 Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, 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 executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance. All Board members have separate and independent access to the Group’s senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group’s expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

### BOARD MEETINGS

The Board held one Board meeting during the year ended 31 December 2014. The attendance of each Director at the Board meeting is set out below:

Name of Director	Attendance/ Number of Board Meeting
Mr. Wong Siu Wah	1/1
Ms. Wong Fook Chi	1/1
Mr. Wong Ying Wai Dennis	1/1
Dr. Lau Kin Tak	1/1
Mr. Anthony Graeme Michaels	1/1
Ms. Leung Wai Ling, Wylie	1/1

Subsequent to the year ended 31 December 2014 and up to date of this report, the Board held another Board meeting in March 2015 for the main purposes of approving the annual results of our Group for the year ended 31 December 2014, and formulating business development strategies of our Group. All Directors have attended such meeting.

No general meeting of the Company was held during the year ended 31 December 2014.

### **DIRECTORS' AND OFFICERS' INSURANCE**

Appropriate insurance coverage has been arranged in respect of potential legal actions against the Directors and officers of the Company.

### **DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT**

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. In December 2014, the Company, together with its legal adviser, organized a training session to provide each of the Directors with an update on the Listing Rules.

### **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors namely, Ms. Leung Wai Ling, Wylie, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

### **BOARD COMMITTEES**

The Board is supported by four committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the respective websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

## Corporate Governance Report

### (i) Audit committee

The Audit Committee was established on 22 December 2014. The Audit Committee comprises three independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie, Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels. Ms. Leung Wai Ling, Wylie, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee are to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board.

No meeting was held by the Audit Committee during the year ended 31 December 2014 because the Company only became listed on 16 January 2015. There are two meetings of the Audit Committee held in January and March 2015 respectively and all members of the Audit Committee attended such meetings. The members of the Audit Committee reviewed and discussed with the external auditor of the Company the consolidated financial statements of the Group for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group and report prepared by the external auditor covering major findings in the course of the audit.

### (ii) Remuneration committee

The Remuneration Committee was established on 22 December 2014. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie, Mr. Wong and Ms. Wong Fook Chi. Dr. Lau Kin Tak is the chairman of the Remuneration Committee. The Remuneration Committee makes recommendations to the Board on, among other matters, our Company's policy and structure for the remuneration of all Directors and senior management and has been delegated the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management.

No meeting was held by the Remuneration Committee during the year ended 31 December 2014 since the Company only became listed on 16 January 2015.

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the financial statements.

### (iii) Nomination committee

The Nomination Committee was established on 22 December 2014. It comprises three independent non-executive Directors and one executive Director, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Mr. Wong. Mr. Wong is the Chairman of the Nomination committee. The principal responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also evaluates the Board's performance and makes recommendations for the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. No meeting was held by the Nomination Committee during the year ended 31 December 2014 since the Company only became listed on 16 January 2015.

**(iv) Risk management committee**

The Company established a Risk Management Committee pursuant to a resolution of the Directors passed on 22 December 2014. The primary duties of the Risk Management Committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanction law risks. The Risk Management Committee currently consisted of Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie and is currently chaired by Ms. Wong Fook Chi. No meeting was held by the Risk Management Committee during the year ended 31 December 2014 and up to the date of this report since the Company only became listed on the Stock Exchange on 16 January 2015.

**CORPORATE GOVERNANCE FUNCTION**

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference in compliance with provision D.3.1 of the Code Provisions, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Code Provisions and relevant disclosure in the corporate governance report of the annual report of the Company.

The Board performs the abovementioned corporate governance functions starting from the year of 2015 as the Company only became listed on the Stock Exchange on 16 January 2015.

**BOARD PROCEEDINGS**

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting on the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

## Corporate Governance Report

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the date of appointment. Each of the Directors will be subject to retirement and re-election at annual general meeting of the Company ("AGM") in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the AGM, and are eligible for re-election by the Shareholders.

### COMPANY SECRETARY

Mr. Po Tien Chu, Ronnie, the company secretary of the Company ("Company Secretary"), is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. He also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Mr. Po Tien Chu, Ronnie is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

Mr. Po Tien Chu, Ronnie shall comply with the relevant professional training requirements under Rule 3.29 of the Listing Rules starting from the year 2015, as the Company only became listed on the Stock Exchange on 16 January 2015.

The biographical details of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 8 in this annual report.

### FINANCIAL REPORTING AND INTERNAL CONTROL

#### Financial reporting

The Board acknowledges its responsibility to prepare the Group's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the 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. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

### Internal controls

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the year. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

### EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2014. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2014, the remuneration paid and payable to BDO Limited is set out as below:

	HK\$'000
Audit service	850
Non-audit services:	
Professional service fees in relation to the listing of Company's shares on the Stock Exchange	1,200
Taxation services	114
	2,164

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2014.

### COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholders communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among others, the following rights:

#### (i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders not less than 20 clear business days before the AGMs and not less than 10 clear business days for all other general meetings. At the general meetings, separate resolutions will be proposed on each substantial issue, including the election of individual Directors.

#### (ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the principal place of business of the Company in Hong Kong currently situated at 12th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong or via email to [ir@kingsflair.com.hk](mailto:ir@kingsflair.com.hk).

## Corporate Governance Report

### (iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of extraordinary general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules shall be sent to Shareholders at least 10 clear business days prior to the extraordinary general meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures will be set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results will be posted on the Company's website on the day of the extraordinary general meeting.

### (iv) Procedures for proposing a person for election as a Director

Pursuant to Article 85 of the articles of associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("Notice") signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such Notice is given of his intention to propose such person for election. If a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting, the Shareholder shall lodge a Notice signed by himself and the person to be proposed of his willingness to be elected at the principal place of business of the Company in Hong Kong or at the Hong Kong share registrar and transfer office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

## CONSTITUTIONAL DOCUMENTS

Pursuant to a written resolution of all the Shareholders passed on 22 December 2014, the amended and restated memorandum and articles of association of the Company were adopted with effect from 22 December 2014. Save as disclosed above, during the year ended 31 December 2014, there was no change in the memorandum and articles of association of the Company.

The amended and restated memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

# DIRECTORS' REPORT

The directors of the Company present their annual report together with the audited financial statements of the Group for the year ended 31 December 2014.

## CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 June 2012 with limited liability and the issued shares of the Company became listed on the Main Board of the Stock Exchange on 16 January 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of its subsidiaries are set out in note 19 to the financial statements of this annual report.

## RESULTS AND APPROPRIATION

The consolidated 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 29 to 95 of this annual report.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's result, assets and liabilities for the last four financial years is set out on page 96 of this annual report. The summary does not form part of the audited financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements of this annual report.

## PRE-EMPTIVE RIGHTS

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

## RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and in note 36 to the financial statements, respectively of this annual report.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, as the Company's shares only became listed on 16 January 2015.

## DISTRIBUTABLE RESERVES

At 31 December 2014, distributable reserves of the Company amounted to HK\$246,323,000 (2013: Nil).

## Directors' Report

### CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purposes during the year amounted to HK\$3,135,000.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements of this annual report.

### INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 December 2014 are set out in note 30 to the financial statements of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively for the year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	42.4%	
Five largest customers in aggregate	81.6%	
The largest supplier		16.88%
Five largest suppliers in aggregate		52.03%

At no time during the year have the directors, their close associates or any shareholders of the Company (which to the best knowledge of the directors owned more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

### DIRECTORS

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

#### Executive Directors

Mr. Wong Siu Wah *(Chairman and Chief Executive Officer)*  
 Ms. Wong Fook Chi  
 Mr. Wong Ying Wai Dennis <sup>1</sup>  
 Ms. Cheng Rebecca Hew Hong <sup>2</sup>

<sup>1</sup> Mr. Wong Ying Wai Dennis was appointed as a director of the Company on 20 August 2014.

<sup>2</sup> Ms. Cheng Rebecca Hew Hong resigned as a director of the Company on 28 August 2014.

#### Independent Non-executive Directors

Dr. Lau Kin Tak <sup>3</sup>  
 Mr. Anthony Graeme Michaels <sup>3</sup>  
 Ms. Leung Wai Ling, Wylie <sup>3</sup>

<sup>3</sup> Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie were appointed as independent non-executive directors of the Company on 22 December 2014.

In accordance with the Company's articles of association, Mr. Wong Siu Wah and Ms. Wong Fook Chi shall retire at the forthcoming AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors of the Group are set out on pages 6 to 7 of this annual report.

### DIRECTORS' INTERESTS IN CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which shall continue thereafter unless terminated by not less than three month's written notice served by either party.

Each of Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie, has entered into a letter of appointment with the Company for a term of three years commencing from 22 December 2014.

In accordance with the Company's articles of association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### CONTRACT OF SIGNIFICANCE

Save as those disclosed in the sub-section headed "Directors' Interests in Contracts" above and "Connected Transactions and Continuing Connected Transactions" below, none of the Directors, the controlling shareholders of the Company and/or their respective close associates has a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY UNDER THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571) OF THE LAWS OF HONG KONG (THE "SFO")

As at the date of this report, the interest and short positions of the Directors in the shares of the Company or associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities by Directors of Listed issuers (the "Model Code"), were as follow:

Name of Director	Long positions in the shares of the Company				Total	Percentage (%)
	Personal interests	Family Interests	Corporate Interests	Other Interests		
Mr. Wong Siu Wah ("Mr. Wong")	–	–	525,000,000 (Note)	–	525,000,000	75%

Note:

- The 525,000,000 Shares comprise 105,000,000 Shares held by First Concord Limited, which is held as to 60% by Mr. Wong and as to 40% by Ms. Cheng Rebecca Hew Hong ("Ms. Cheng") and 420,000,000 Shares held by City Concord Limited, which is 100% held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the Shares held by First Concord Limited and City Concord Limited.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS' INTEREST UNDER THE SFO

As at the date of this report, according to the register kept by the Company under 336 of the SFO, the following shareholders (other than the Directors or chief executive of the Company), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### (i) Interest in shares

Name of Substantial Shareholders	Capacity/nature of interests	Number of Shares held (Note 1)	Approximate percentage of issued share capital (%)
First Concord Limited (Note 2)	Beneficial owner	105,000,000 <sup>(L)</sup>	15%
City Concord Limited (Note 3)	Beneficial owner	420,000,000 <sup>(L)</sup>	60%
Ms. Cheng	Interest of controlled corporation and interest of spouse	525,000,000 <sup>(L)</sup>	75%

Notes:

- The letter "L" denotes a long position in the Shareholder's interest in the share capital of our Company.
- First Concord Limited is held as to 60% by Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are both deemed to be interested in the 105,000,000 Shares held by First Concord Limited.
- City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 Shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

#### (ii) Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Percentage of interest
Homespan (HK) Limited	Mr. Christopher Paul Liversey	44%
Manweal Development Limited	Primehill Holdings Limited	32%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25%

Save as disclosed above, as at the date of this report, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### SHARE OPTION SCHEME

Since 22 December 2014, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purposes of recognizing and acknowledging the contributions that eligible participants have made or may make to our Group. The Share Option Scheme became unconditional and commenced on 16 January 2015 and will remain in force for 10 years from Listing Date unless otherwise cancelled or amended.

Eligible participants of the Share Option Scheme include (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (or 70,000,000 shares of the Company) (the "Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) refresh the Limit at any time to 10% of the shares in issue as at the date of the approval of the Limit (as refreshed) by the Shareholders in general meeting; or
- (ii) grant options beyond the Limit to eligible participants specifically identified by the Board before approval is sought.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised, cancelled or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to a director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The exercise period of the options granted is to be determined by the Board, which period may commence from the date of the offer of the options, and ends on a date which is not later than ten years from the date of grant of the options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company non-refundable HK\$1 upon acceptance of the grant.

The exercise price of the options is to be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

As at the date of this report, no options have been granted under the Share Option Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Report

### LOANS TO OFFICERS

No loans to the Company's officers were made or outstanding at any time during the year or at the year ended 31 December 2014.

### CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 20 of this annual report.

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save for the transactions with the connected persons of the Company as disclosed in the section headed "Connected Transactions" in the Prospectus which are continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules, the Company has not entered into any connected transaction or continuing connected transaction during the year ended 31 December 2014.

Save as disclosed above, none of the related party transactions of the Company for the year ended 31 December 2014 as set out in note 39 to the financial statements on pages 84 to 85 of this annual report are connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

### DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

Details of directors' remuneration and the top five highest paid persons are set out in note 11 to the financial statements of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Listing Rules) as at the date of this report.

### EVENTS AFTER THE REPORTING DATE

Details of the significant events after the reporting date is set out in note 44 to the financial statements of this annual report.

### AUDITOR

The financial statements of the Group for the year ended 31 December 2014 have been audited by BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

**Wong Siu Wah**

*Chairman and Chief Executive Officer*

Hong Kong, 27 March 2015

# INDEPENDENT AUDITOR'S REPORT



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 永安中心25樓

## TO THE SHAREHOLDERS OF KING'S FLAIR INTERNATIONAL (HOLDINGS) LIMITED (INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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 the terms of our engagement, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Independent Auditor's Report

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

### **BDO Limited**

*Certified Public Accountants*

Lam Hung Yun, Andrew

Practising Certificate Number P04092

Hong Kong, 27 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> HK\$'000	2013 HK\$'000
<b>Revenue</b>	7	<b>1,359,459</b>	1,236,284
Cost of sales		<b>(1,113,522)</b>	(1,048,295)
<b>Gross profit</b>		<b>245,937</b>	187,989
Other income	8	<b>12,441</b>	10,965
Distribution expenses		<b>(21,925)</b>	(23,403)
Administrative expenses		<b>(119,454)</b>	(84,900)
Operating profit		<b>116,999</b>	90,651
Gain on bargain purchase	40	–	6,300
Finance costs	10	<b>(349)</b>	(468)
<b>Profit before income tax</b>	9	<b>116,650</b>	96,483
Income tax expenses	12	<b>(23,496)</b>	(18,150)
<b>Profit for the year</b>		<b>93,154</b>	78,333
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets, net of tax		<b>5,949</b>	(4,164)
Exchange difference arising on translation of foreign operations		<b>12</b>	288
<b>Other comprehensive income for the year, net of tax</b>		<b>5,961</b>	(3,876)
<b>Total comprehensive income for the year</b>		<b>99,115</b>	74,457
<b>Profit for the year attributable to:</b>			
Owners of the Company	13	<b>95,146</b>	82,887
Non-controlling interests		<b>(1,992)</b>	(4,554)
		<b>93,154</b>	78,333
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>101,088</b>	78,880
Non-controlling interests		<b>(1,973)</b>	(4,423)
		<b>99,115</b>	74,457
<b>Earnings per share:</b>	14		
– Basic		<b>HK\$0.18</b>	HK\$0.16
– Diluted		<b>HK\$0.18</b>	HK\$0.16

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	<b>33,685</b>	35,132
Prepaid land lease payments	17	<b>2,021</b>	2,110
Other asset	18	<b>172</b>	172
Interest in an associate	20	–	–
Intangible asset	21	<b>19,225</b>	24,031
Deferred tax assets	34	<b>5</b>	6
		<b>55,108</b>	61,451
<b>Current assets</b>			
Inventories	22	<b>10,200</b>	10,225
Trade receivables	23	<b>144,639</b>	160,258
Prepayments, deposits and other receivables	24	<b>35,901</b>	38,127
Available-for-sale financial assets	25	<b>38,291</b>	32,342
Amount due from an associate	20	<b>2,046</b>	6,960
Prepaid tax		<b>528</b>	2,876
Pledged bank deposits	26	<b>20,895</b>	9,611
Cash and bank balances	27	<b>125,211</b>	136,650
		<b>377,711</b>	397,049
<b>Current liabilities</b>			
Trade and bills payables	28	<b>90,198</b>	119,525
Deposits received, other payables and accruals	29	<b>43,294</b>	27,929
Dividend payable	15	–	60,000
Bank borrowings	30	<b>10,268</b>	20,738
Amount due to a related party	31	–	9,600
Loans from non-controlling interests	33	<b>14,239</b>	–
Provision for tax		<b>7,832</b>	342
		<b>165,831</b>	238,134
<b>Net current assets</b>		<b>211,880</b>	158,915
<b>Total assets less current liabilities</b>		<b>266,988</b>	220,366

## Consolidated Statement of Financial Position

As at 31 December 2014

	<i>Notes</i>	<b>2014</b> HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Loans from non-controlling interests	33	12,916	14,420
Deferred tax liabilities	34	7,126	8,115
		<b>20,042</b>	22,535
<b>Net assets</b>			
		<b>246,946</b>	197,831
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	35	–	–
Reserves	36	245,529	194,441
		<b>245,529</b>	194,441
Non-controlling interests		1,417	3,390
<b>Total equity</b>			
		<b>246,946</b>	197,831

On behalf of the Board

**Wong Siu Wah**  
*Director*

**Wong Fook Chi**  
*Director*

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	19	252,506	–
<b>Current assets</b>			
Prepayments	24	31	–
<b>Current liabilities</b>			
Amount due to a subsidiary	32	6,214	–
<b>Net current liabilities</b>		<b>(6,183)</b>	–
<b>Net assets</b>		<b>246,323</b>	–
<b>EQUITY</b>			
Share capital	35	–	–
Reserves	36	246,323	–
<b>Total equity</b>		<b>246,323</b>	–

On behalf of the Board

**Wong Siu Wah**  
*Director*

**Wong Fook Chi**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to owners of the Company						Sub-total	Non-controlling interests	Total equity
	Share capital	Merger reserve*	Revaluation reserve*	Exchange reserve*	Other reserve*	Retained profits*			
	HK\$'000 (note 35)	HK\$'000 (note 36)	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At 1 January 2013</b>	-	(4,231)	12,302	1,293	2,867	163,330	175,561	8,205	183,766
Dividend to shareholders and non-controlling interests of subsidiaries (note 15)	-	-	-	-	-	(60,000)	(60,000)	(392)	(60,392)
<b>Transactions with owners</b>	-	-	-	-	-	(60,000)	(60,000)	(392)	(60,392)
Profit/(loss) for the year	-	-	-	-	-	82,887	82,887	(4,554)	78,333
<b>Other comprehensive income</b>									
- Change in fair value of available-for-sale financial assets	-	-	(4,164)	-	-	-	(4,164)	-	(4,164)
- Exchange difference arising on translation of foreign operations	-	-	-	157	-	-	157	131	288
<b>Total comprehensive income for the year</b>	-	-	(4,164)	157	-	82,887	78,880	(4,423)	74,457
<b>At 31 December 2013 and 1 January 2014</b>	-	(4,231)	8,138	1,450	2,867	186,217	194,441	3,390	197,831
Dividend to shareholders of a subsidiary (note 15)	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
<b>Transactions with owners</b>	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Profit/(loss) for the year	-	-	-	-	-	95,146	95,146	(1,992)	93,154
<b>Other comprehensive income</b>									
- Change in fair value of available-for-sale financial assets	-	-	5,949	-	-	-	5,949	-	5,949
- Exchange difference arising on translation of foreign operations	-	-	-	(7)	-	-	(7)	19	12
<b>Total comprehensive income for the year</b>	-	-	5,949	(7)	-	95,146	101,088	(1,973)	99,115
<b>At 31 December 2014</b>	-	(4,231)	14,087	1,443	2,867	231,363	245,529	1,417	246,946

\* The aggregate balances of these reserve accounts of HK\$245,529,000 (2013: HK\$194,441,000) are included as reserves as at 31 December 2014 in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>116,650</b>	96,483
Adjustments for:			
Amortisation of prepaid land lease payments		<b>58</b>	59
Amortisation of intangible asset		<b>4,806</b>	–
Depreciation of property, plant and equipment		<b>4,113</b>	3,790
Dividend income from financial assets		<b>(691)</b>	(683)
Gain on bargain purchase	40	–	(6,300)
Gain on disposal of property, plant and equipment		–	(1)
Loss on written off of property, plant and equipment		–	762
Provision for impairment of trade receivables		<b>152</b>	–
Interest income		<b>(23)</b>	(35)
Interest expenses		<b>349</b>	468
Operating profit before working capital changes		<b>125,414</b>	94,543
Decrease/(increase) in inventories		<b>25</b>	(908)
Decrease/(increase) in trade receivables		<b>15,467</b>	(17,129)
Decrease/(increase) in prepayments, deposits and other receivables		<b>2,277</b>	(5,532)
Decrease/(increase) in amount due from an associate		<b>4,914</b>	(2,350)
(Decrease)/increase in trade and bills payables		<b>(29,327)</b>	13,023
Increase in deposits received, other payables and accruals		<b>15,365</b>	12,311
Cash generated from operations		<b>134,135</b>	93,958
Income taxes paid		<b>(14,646)</b>	(23,359)
<i>Net cash generated from operating activities</i>		<b>119,489</b>	70,599
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(2,715)</b>	(6,044)
Proceeds from disposal of property, plant and equipment		–	1
Dividend received from investments in financial assets		<b>691</b>	683
Interest received		<b>23</b>	35
Increase in pledged bank deposits		<b>(11,284)</b>	(1,558)
Net cash outflow arising on acquisition of subsidiaries	40	<b>(9,600)</b>	(8,794)
<i>Net cash used in investing activities</i>		<b>(22,885)</b>	(15,677)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Cash flows from financing activities</b>			
Repayments of borrowings		<b>(4,324)</b>	(6,969)
Dividend paid to shareholders of the subsidiaries		<b>(110,000)</b>	(40,000)
Dividend paid to non-controlling interests		–	(392)
Interest paid		<b>(349)</b>	(468)
(Increase)/decrease in prepayments relating to listing expenses		<b>(51)</b>	720
Loans from non-controlling interests		<b>12,735</b>	–
<i>Net cash used in financing activities</i>		<b>(101,989)</b>	(47,109)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,385)</b>	7,813
<b>Cash and cash equivalents at beginning of year</b>		<b>121,423</b>	113,021
<b>Effect on foreign exchange rate changes</b>		<b>92</b>	589
<b>Cash and cash equivalents at end of year</b>		<b>116,130</b>	121,423
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances	27	<b>125,211</b>	136,650
Bank overdrafts	30.2	<b>(9,081)</b>	(15,227)
Cash and cash equivalents at end of year		<b>116,130</b>	121,423

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2015.

Pursuant to a group reorganisation (the "Reorganisation") as set out under the section "History, Reorganisation and Group Structure" in the Company's prospectus dated 31 December 2014 (the "Prospectus"), the Company became the holding company of the subsidiaries (together with the Company are collectively referred to as the "Group") now comprising the Group. The consolidated financial statements of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 19 to the financial statements. The Group's principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Group's statement of comprehensive income, Group's statement of changes in equity for the years ended 31 December 2013 and 31 December 2014 and the Group's statement of financial position as at 31 December 2013 and 31 December 2014 have been prepared on the basis as if the Company had always been holding company of the companies now comprising the Group throughout the years. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Reorganisation had been in existence throughout the years or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period, except for the acquisition of a subsidiary during the year ended 31 December 2013 which was accounted for using acquisition accounting as mentioned in note 40 to the financial statements.

At the date of authorisation of this financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI").

## Notes to the Financial Statements

For the year ended 31 December 2014

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by the HKICPA which is relevant to and effective for the Group’s financial statements for annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

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

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

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

#### **Amendments to HKAS 36 – Recoverable Amount Disclosures 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 assets or cash-generating unit whose recoverable amount is based on fair value less costs of disposal.

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

## Notes to the Financial Statements

For the year ended 31 December 2014

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

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

At the date of authorisation of the financial statements, certain new or amended HKFRSs have been issued but are not yet effective, and have not early adopted by the Group for the year ended 31 December 2014.

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

Notes:

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014
- <sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

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

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

## Notes to the Financial Statements

For the year ended 31 December 2014

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

*(Continued)*

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

##### **Disclosure Initiative (Amendments to HKAS 1) – Presentation of Financial Statements**

The amendments to HKAS 1 are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements. In addition, an amendment is made to HKAS 1 to clarify the presentation of an entity’s share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity’s share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

##### **Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation**

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

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

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

##### **HKFRS 9 (2014) – Financial Instruments**

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

*(Continued)*

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

##### **HKFRS 9 (2014) – Financial Instruments** *(Continued)*

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

##### **HKFRS 15 – Revenue from Contracts with Customers**

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

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

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

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

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

#### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for those financial assets stated at fair value, which are measured at fair value as explained in the accounting policies set out in note 4.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in note 5.

#### (c) Functional and presentation currency

The consolidated financial statements is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Business combination and basis of consolidation

##### (a) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or any gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party or parties interest. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of the reserve.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which the case the loss is recognised in profit or loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

##### (b) Acquisition method of accounting for non-common control combination

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

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.1 Business combination and basis of consolidation *(Continued)*

##### (b) Acquisition method of accounting for non-common control combination *(Continued)*

Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consolidation of a business combination is recognised immediately in profit or loss.

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

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

#### 4.2 Subsidiaries

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

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

#### 4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.3 Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

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

#### 4.4 Intangible asset

An intangible asset acquired separately is recognised initially at cost. Intangible asset with indefinite useful life is carried at cost less any accumulated impairment losses.

Intangible asset identified on business combination are capitalised at fair value at the date of acquisition and are stated at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships is amortised on a straight-line basis from the date of acquisition over their estimated useful lives of 5 years. The amortisation is charged to profit or loss. Both the estimated useful lives and method of amortisation are reviewed and adjusted if appropriate, annually.

#### 4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, at the following rates per annum:

Leasehold land and buildings	4% or over the lease term, whichever is shorter
Leasehold improvement	20% or over the terms of the leases of properties, whichever is shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles and yacht	10–20%

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

##### 4.6 Prepaid land leases payments

Upfront payments made to acquire land for own use under operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

##### 4.7 Impairment of non-financial assets

The Group's property, plant and equipment, prepaid land lease payments, other asset, intangible asset, interest in an associate and the Company's interests in subsidiaries are subject to impairment testing.

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax asset, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.8 Leases

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 assets 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.

##### **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.

##### **Operating lease charges as the lessee**

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

#### 4.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.10 Financial assets

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

#### Loans and receivables

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

#### Available-for-sale financial assets

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

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

#### Impairment of financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.10 Financial assets *(Continued)*

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

###### *Loans and receivables*

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

###### *Available-for-sale financial assets*

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

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

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

#### 4.11 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, amount due to a related party, dividend payable, loans from non-controlling interests and bank borrowings. The Company's financial liabilities include amount due to a subsidiary.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

##### **Borrowings**

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.11 Financial liabilities *(Continued)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **Trade and bills payables, other payables and accruals, amount due to a subsidiary and related party, dividend payable and loans from non-controlling interests**

These are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

### 4.12 Foreign currency

Transactions entered into by the Group in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

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

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.12 Foreign currency *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

#### 4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### 4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### 4.15 Revenue recognition

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

- (a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers has accepted the goods;
- (b) service income is recognised in the period when the respective services are rendered;
- (c) interest income is recognised on a time-proportion basis using the effective interest method; and
- (d) dividend income is recognised when the right to receive dividend payment is established.

#### 4.16 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.16 Accounting for income tax *(Continued)*

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.17 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

##### **Defined contribution plans**

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

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in central pension schemes operated by the respective local municipal governments, whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund their retirement benefits. Contributions under the scheme are charged to profit or loss as they become payable in accordance with the rules and regulations in the PRC.

##### **Short-term employee benefits**

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

##### **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.

#### 4.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### 4.19 Provisions and contingent liabilities

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

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

##### 4.20 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

## Notes to the Financial Statements

For the year ended 31 December 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.20 Related parties *(Continued)*

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

#### 4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial statements reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

#### (ii) Net realisable value of inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimations at each reporting date to ensure inventory is shown at the lower of cost and net realisable value.

#### (iii) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its debtors, past settlement and industry practice and current market conditions. Management reassesses the impairment of receivables at each reporting date.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### (iv) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

### (v) Estimated useful life of intangible asset

The Group's management determines the estimated useful life for its intangible asset. The estimated useful life reflects the Group's management's estimates of the periods that the Group intends to derive future economic benefits from the use of the intangible asset.

### (vi) Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

### (vii) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair values:

- Available-for-sale financial assets

For more detailed information in relation to the fair value measurement of the item above, please refer to note 42.1(f) to notes to financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 6. SEGMENT INFORMATION

#### (i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial statements reported to the Company's executive directors for their decisions about resources allocation to the Group's business component and review of the component's performance. There is only one business component in the internal reporting to the executive directors, which is the trading of kitchenware products. The Group's assets and capital expenditure are principally attributable to this business component.

#### (ii) Geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers is divided into the following geographical areas:

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
United States		<b>1,159,739</b>	1,061,957
Europe	<i>(a)</i>	<b>84,727</b>	67,452
Asia	<i>(b)</i>	<b>65,743</b>	43,072
Canada		<b>38,296</b>	52,881
Other locations	<i>(c)</i>	<b>10,954</b>	10,922
		<b>1,359,459</b>	1,236,284

*Notes:*

- (a) Principally included United Kingdom, Switzerland, France and Germany
- (b) Principally included Hong Kong and Japan
- (c) Principally included Australia, Mexico, Turkey and Egypt

The geographical location of customers is based on the location of customers. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2014 and 2013, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

## Notes to the Financial Statements

For the year ended 31 December 2014

## 6. SEGMENT INFORMATION (Continued)

## (iii) Information about major customers

For the year ended 31 December 2014, revenues from four (2013: four) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these major customers as shown below accounted for HK\$1,078,095,000 (2013: HK\$996,366,000) of the Group's revenue for the year ended 31 December 2014.

	2014 HK\$'000	2013 HK\$'000
Company A (note)	–	178,144
Company B	576,999	436,489
Company C	145,558	140,440
Company D	202,109	241,293
Company E	153,429	–
	<b>1,078,095</b>	996,366

As at 31 December 2014, 72% (2013: 59%) of the Group's trade receivables were due from the abovementioned major customers.

Note: Company A represents Winlot Holdings Limited ("Winlot"), a company incorporated in the BVI on 23 April 2012, which has become the holding company of Oera Development Limited ("Oera") and Emington International Limited ("Emington") since June 2012. Winlot, Oera and Emington (collectively "Winlot Group") were beneficially owned by Ms. Cheng Kui Mei, May, a sister of Ms. Cheng Rebecca Hew Hong ("Ms. Cheng") and therefore sister-in-law of Mr. Wong Siu Wah ("Mr. Wong") throughout the year ended 31 December 2013. The sale of goods to the subsidiaries of Oera and Emington during the year ended 31 December 2013 constituted related party transactions.

For the segment analysis in respect of major customers, the sales of goods to Winlot Group were disclosed on aggregated basis.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 7. REVENUE

The Group is principally engaged in trading of kitchenware products. Revenue, which is also the Group's turnover, represents invoiced value of goods sold, after allowances for returns and discounts (net of value added tax). Revenue recognised during the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Sales of goods	1,359,459	1,236,284

### 8. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Bank interest income	23	35
Dividend income from financial assets	691	683
Management and handling services	1,317	3,196
Recharge from customers*	10,359	6,890
Gain on disposal of property, plant and equipment	–	1
Others	51	160
	<b>12,441</b>	<b>10,965</b>

\* Recharge from customers mainly represented the tooling and mould costs recharged to customers, which were recognised when the amounts are mutually agreed by the Group and the customers.

## Notes to the Financial Statements

For the year ended 31 December 2014

## 9. PROFIT BEFORE INCOME TAX

	2014 HK\$'000	2013 HK\$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration	850	375
Cost of inventories sold recognised as expense	1,113,522	1,048,295
Depreciation of property, plant and equipment*	4,113	3,790
Amortisation of intangible asset*	4,806	–
Amortisation of prepaid land lease payments*	58	59
Operating lease rentals in respect of land and buildings and equipment	5,465	5,428
Loss on written off of property, plant and equipment	–	762
Provision for impairment of trade receivables (note 23)	152	–
Listing expenses	13,340	1,137
Employee benefit expenses (including directors' remuneration) (note 11.1)		
Wages, salaries and other benefits	34,575	29,251
Discretionary bonuses	20,472	22,509
Contributions to defined contribution schemes	1,612	1,303
	56,659	53,063
Exchange loss, net	6,037	3,622

\* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of HK\$127,000 (2013: HK\$291,000) and administrative expenses of HK\$8,850,000 (2013: HK\$3,558,000) for the year ended 31 December 2014.

## 10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest charges on financial liabilities at amortised cost:		
Bank loans wholly repayable within five years	71	210
Bank overdrafts and other borrowings wholly repayable within five years	278	258
	349	468

The analysis above shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed schedule repayment dates set out in the loan agreements. The interest on bank loans which contains a repayment on demand clause amounted to HK\$71,000 (2013: HK\$210,000) for the year ended 31 December 2014.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

#### 11.1 Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 which requires compliance with section 161 of the Hong Kong Companies Ordinance, Cap. 32 for the years ended 31 December 2014 and 2013, are as follows:

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2014</b>					
<i>Executive directors<sup>#</sup></i>					
Mr. Wong	-	5,040	8,000	17	13,057
Ms. Cheng (note (i))	-	408	-	11	419
Ms. Wong Fook Chi	-	658	500	16	1,174
Mr. Wong Ying Wai Dennis (note (ii))	-	181	37	6	224
<i>Independent non-executive directors*</i>					
Dr. Lau Kin Tak	-	-	-	-	-
Mr. Anthony Graeme Michaels	-	-	-	-	-
Ms. Leung Wai Ling, Wylie	-	-	-	-	-
	-	6,287	8,537	50	14,874
<b>Year ended 31 December 2013</b>					
<i>Executive directors<sup>#</sup></i>					
Mr. Wong	-	5,040	8,000	15	13,055
Ms. Cheng	-	612	-	15	627
Ms. Wong Fook Chi	-	302	-	14	316
	-	5,954	8,000	44	13,998

Notes:

- (i) Ms. Cheng resigned as an executive director of the Company with effect from 28 August 2014.
- (ii) Mr. Wong Ying Wai Dennis was appointed as an executive director of the Company with effect from 20 August 2014.

## Notes to the Financial Statements

For the year ended 31 December 2014

**11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS** *(Continued)***11.1 Directors' emoluments** *(Continued)*

# Save as disclosed in the above table, the Group also provided a quarter to the executive directors, Mr. Wong, Ms. Cheng and Ms. Wong Fook Chi. The estimate market rental of the Group's leasehold property which was used by the executive directors for the year ended 31 December 2014 were approximately HK\$1,668,000 (2013: HK\$1,560,000). The carrying amount of the Group's leasehold property which was used by the executive directors as a quarter as at 31 December 2014 was HK\$12,085,000 (2013: HK\$12,568,000).

\* The independent non-executive directors were appointed with effect from 22 December 2014 and have not received any emoluments during the years ended 31 December 2014 and 2013.

**11.2 Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 included two (2013: two) directors, whose emoluments were reflected in the analysis presented in note 11.1 above. The emoluments payable to the remaining three (2013: three) individuals for the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowance	1,300	1,217
Discretionary bonuses	915	1,300
Contributions to defined contribution scheme	50	16
	<b>2,265</b>	2,533

The remuneration paid to each of the above non-director individuals for the year fell within the following band:

	Number of individuals	
	2014	2013
Emolument band Nil to HK\$1,000,000	3	3

- (a) No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2014 and 2013.
- (b) There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### 11.3 Senior management emolument band

The remuneration paid to each of the senior management (other than the directors as disclosed in note 11.1 above) for the years ended 31 December 2014 and 2013 fell within the following band:

	Number of individuals	
	2014	2013
Emolument band Nil to HK\$1,000,000	6	6

### 12. INCOME TAX EXPENSES

	2014 HK\$'000	2013 HK\$'000
Current tax – Hong Kong		
– Current year	24,525	16,281
–(Over)/under provision in respect of prior years	(41)	1,959
	24,484	18,240
Deferred tax (note 34)		
– Credit for the year	(988)	(90)
Income tax expenses	23,496	18,150

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2014.

Enterprise income tax ("EIT") for the year was calculated at 25% of the estimated assessable profits arising from the PRC. No PRC EIT tax has been provided for Group's PRC subsidiaries as they did not derive any assessable profits during the year ended 31 December 2014 (2013: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

## Notes to the Financial Statements

For the year ended 31 December 2014

**12. INCOME TAX EXPENSES** (Continued)

A reconciliation of the income tax expenses and accounting profits at applicable tax rates is as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	116,650	96,483
Tax at applicable tax rate of 16.5% (2013: 16.5%)	19,247	15,920
Tax effect in different tax rates of subsidiaries operating in other jurisdictions	(612)	(931)
Tax effect on non-taxable income	(392)	(1,523)
Tax effect of non-deductible expenses	2,645	928
Tax effect of tax losses not recognised	1,750	2,429
Tax effect of fair value gain/(loss) on available-for-sale financial assets which is subject to Hong Kong profits tax	982	(687)
(Over)/under provision in respect of prior years	(41)	1,959
Others	(83)	55
Income tax expenses	23,496	18,150

**13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Of the consolidated profit attributable to owners of the Company of approximately HK\$95,146,000 (2013: HK\$82,887,000), a loss of approximately HK\$6,183,000 (2013: Nil) has been dealt with in the financial statements of the Company.

**14. EARNINGS PER SHARE****Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK\$95,146,000 (2013: HK\$82,887,000) and 525,000,000 (2013: 524,991,000) ordinary shares in issue and issuable, comprising 10,000 ordinary shares as at 31 December 2014 (2013: 1,000) and 524,990,000 ordinary shares issued pursuant to the capitalisation issue after 31 December 2014 as detailed in the Prospectus as if the shares were outstanding throughout both 2013 and 2014 (note 35(d)).

**Diluted earnings per share**

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2014 and 2013, and hence the diluted earnings per share is the same as basic earnings per share.

The calculation of the aforesaid basic earnings per share and diluted earnings per share had not yet taken into consideration of 175,000,000 ordinary shares issued and allotted arising from the completion of placing and public offer of the Company's ordinary shares on 15 January 2015 (note 35(e)).

## Notes to the Financial Statements

For the year ended 31 December 2014

### 15. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to Reorganisation, interim dividends, which has been paid or declared, are detailed as follows:

- (i) During the year ended 31 December 2013, King's Flair Development Limited ("King's Flair Development"), a wholly-owned subsidiary, declared an interim dividend of HK\$60 per ordinary share to its equity holders, totalling HK\$60,000,000. Such dividend was not paid as of 31 December 2013, and included in dividend payable in the consolidated statement of financial position as at 31 December 2013. The aforesaid dividend payable was fully paid during the year ended 31 December 2014.
- (ii) During the year ended 31 December 2013, Homespan (HK) Limited, a subsidiary, declared and paid an interim dividend of HK\$80 per ordinary share to its equity holders, totalling HK\$800,000 and the interim dividend entitled by the non-controlling interests was HK\$392,000.
- (iii) During the year ended 31 December 2014, King's Flair Development declared and paid an interim dividend of HK\$50 per ordinary share to its equity holders, totalling HK\$50,000,000.

The directors of the Company do not propose any final dividend in respect of the year ended 31 December 2014 (2013: Nil).

## Notes to the Financial Statements

For the year ended 31 December 2014

## 16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and yacht HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>						
Cost	33,888	–	311	5,378	13,826	53,403
Accumulated depreciation	(10,377)	–	(301)	(3,342)	(5,773)	(19,793)
Net carrying amount	23,511	–	10	2,036	8,053	33,610
<b>Year ended 31 December 2013</b>						
Opening net carrying amount	23,511	–	10	2,036	8,053	33,610
Additions	–	3,292	–	1,509	1,243	6,044
Written off	–	(762)	–	–	–	(762)
Depreciation	(784)	(663)	(3)	(826)	(1,514)	(3,790)
Exchange differences	–	–	–	30	–	30
Closing net carrying amount	22,727	1,867	7	2,749	7,782	35,132
<b>At 31 December 2013 and 1 January 2014</b>						
Cost	33,888	2,430	11	4,860	15,069	56,258
Accumulated depreciation	(11,161)	(563)	(4)	(2,111)	(7,287)	(21,126)
Net carrying amount	22,727	1,867	7	2,749	7,782	35,132
<b>Year ended 31 December 2014</b>						
Opening net carrying amount	22,727	1,867	7	2,749	7,782	35,132
Additions	–	108	–	2,577	30	2,715
Depreciation	(784)	(534)	(2)	(1,179)	(1,614)	(4,113)
Exchange differences	–	(27)	–	(19)	(3)	(49)
Closing net carrying amount	21,943	1,414	5	4,128	6,195	33,685
<b>At 31 December 2014</b>						
Cost	33,888	2,502	11	7,232	14,695	58,328
Accumulated depreciation	(11,945)	(1,088)	(6)	(3,104)	(8,500)	(24,643)
Net carrying amount	21,943	1,414	5	4,128	6,195	33,685

At 31 December 2014, certain of the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$21,272,000 (2013: HK\$22,020,000) are held under a long term lease; and the remaining leasehold land and buildings with an aggregate carrying amount of approximately HK\$671,000 (2013: HK\$707,000) are held under a short term lease. All of Group's leasehold land and buildings are situated in Hong Kong.

At 31 December 2014, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$21,943,000 (2013: HK\$22,727,000) were pledged to secure general banking facilities granted to the Group.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 17. PREPAID LAND LEASE PAYMENTS – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>At beginning of the year</b>		
Cost	2,873	2,780
Accumulated amortisation	(763)	(681)
<b>Net carrying amount</b>	<b>2,110</b>	2,099
<b>For the year ended</b>		
Opening net carrying amount	2,110	2,099
Amortisation	(58)	(59)
Exchange differences	(31)	70
<b>Closing net carrying amount</b>	<b>2,021</b>	2,110
<b>At end of the year</b>		
Cost	2,831	2,873
Accumulated amortisation	(810)	(763)
<b>Net carrying amount</b>	<b>2,021</b>	2,110

The Group's prepaid land lease payments are for lands situated in the PRC under medium term leases.

### 18. OTHER ASSET – GROUP

	2014 HK\$'000	2013 HK\$'000
Club membership, at cost	172	172

## Notes to the Financial Statements

For the year ended 31 December 2014

## 19. INTERESTS IN SUBSIDIARIES – COMPANY

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	252,506	–

Particulars of the principal subsidiaries at 31 December 2014 are as follows:

Company name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held by the Company		Principal activity and place of operation
			Directly	Indirectly	
Lions Power Development Limited ("Lions Power")	Incorporated in the BVI, limited liability company	U.S. dollars ("US\$") 1,000	100%	–	Investment holding, Hong Kong
Wealth Wise Investments Limited ("Wealth Wise")	Incorporated in the BVI, limited liability company	US\$1,000	100%	–	Investment holding, Hong Kong
King's Flair Development 科勁發展有限公司	Incorporated in Hong Kong, limited liability company	HK\$1,000,000	–	100%	Trading of kitchenware products, Hong Kong
Aegis Global Resources (HK) Limited	Incorporated in Hong Kong, limited liability company	HK\$10,000	–	100%	Trading of kitchenware products, Hong Kong
Homespan (HK) Limited	Incorporated in Hong Kong, limited liability company	HK\$10,000	–	51%	Trading of kitchenware products, Hong Kong
Manweal Development Limited 萬維發展有限公司 ("Manweal")	Incorporated in Hong Kong, limited liability company	HK\$5,500,000	–	68%	Trading of kitchenware products, Hong Kong

## Notes to the Financial Statements

For the year ended 31 December 2014

### 19. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Company name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held by the Company		Principal activity and place of operation
			Directly	Indirectly	
Ningbo Homesbrands International Trading Company Limited* 寧波家之良品國際 貿易有限公司	Incorporated in the PRC, sino-foreign equity joint venture	Renminbi ("RMB")10,000,000	–	51%	Retail and distribution of kitchenware products, the PRC
Youxiang (Shanghai) Commercial & Trade Company Limited* 悠享(上海)商貿有限公司	Incorporated in the PRC, wholly-owned foreign enterprise	RMB1,000,000	–	51%	Retail, wholesale and distribution of kitchenware products, the PRC
Wonder Household Limited ("Wonder Household")	Incorporated in Hong Kong, limited liability company	HK\$10,000	–	100%	Trading of kitchenware products, Hong Kong
Gloxis Development Limited	Incorporated in Hong Kong, limited liability company	HK\$100,000	–	100%	Trading of kitchenware products, Hong Kong

\* The English name of the subsidiaries established in the PRC represents management's best effort at translating the Chinese name of such subsidiaries for identification purpose only as no English name has been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

## Notes to the Financial Statements

For the year ended 31 December 2014

## 20. INTEREST IN AN ASSOCIATE – GROUP

	2014 HK\$'000	2013 HK\$'000
Share of net assets	–	–
Amount due from an associate	2,046	6,960

Amount due from an associate is unsecured, interest-free and repayable on demand.

The associate has a financial year-end date of 31 December.

Details of the associate as at 31 December 2014 are as follow:

Company name	Place of incorporation	Percentage of ownership interests	Principal activity
Grand Venture Holdings Limited ("Grand Venture")	Hong Kong	34%	Selling and distribution of kitchenware products

The following table illustrates the summarised financial statements of the Group's associate extracted from its unaudited management accounts:

	2014 HK\$'000	2013 HK\$'000
Total assets	1,525	7,763
Total liabilities	(5,936)	(10,850)
Net liabilities	(4,411)	(3,087)
Group's share of net assets	–	–
<b>For the year ended</b>		
Total revenue for the year	–	63
Loss for the year	(1,324)	(3,075)

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 21. INTANGIBLE ASSET – GROUP

	Customer relationships HK\$'000
<b>At 1 January 2013</b>	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
<b>Year ended 31 December 2013</b>	
Opening net carry amount	–
Acquisition of Wonder Household ( <i>note 40</i> )	24,031
Closing net carrying amount	24,031
<b>At 31 December 2013 and 1 January 2014</b>	
Cost	24,031
Accumulated amortisation	–
Net carrying amount	24,031
<b>Year ended 31 December 2014</b>	
Opening net carrying amount	24,031
Amortisation	(4,806)
Closing net carrying amount	19,225
<b>At 31 December 2014</b>	
Cost	24,031
Accumulated amortisation	(4,806)
Net carrying amount	19,225

Intangible asset represents the customer relationships acquired by the Group in connection with the acquisition of Wonder Household completed on 31 December 2013. The Group assessed the fair value of the customer relationships at the date of acquisition of Wonder Household with reference to a valuation performed by LCH (Asia-Pacific) Surveyors Limited (“LCH”), an independent professional valuer. LCH is a professional surveyors firm in Hong Kong with appropriate qualification and experience to value similar type of intangible asset. LCH’s project leader in charge of this valuation exercise has been involved in similar services and is a member of the Hong Kong Institute of Surveyors (“HKIS”). She is also a valuer on the “List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circular And Valuations in Connection with Takeovers and Mergers” published by the HKIS.

## Notes to the Financial Statements

For the year ended 31 December 2014

**21. INTANGIBLE ASSET – GROUP** *(Continued)*

The valuation of the customer relationships was conducted using the multi-period excess earnings method, which is an application of the discounted cash flow model. Based on the projected future earnings streams attributable to the customer relationships, economic charges for the use of assets used in generating the income projection of the customer relationships were deducted. The fair value of the customer relationships was then arrived at by discounting the projected future earnings streams to present value. Key assumptions include the discount rate of 17.0% being applied to the discounted cash flow model, which is determined using the “Capital Asset Pricing Model”. LCH confirmed that the assessed customer relationships fair value was considered as reasonable based on the methodology, assumptions and parameters adopted, and that this valuation methodology is appropriate for valuing similar type of intangible asset.

**22. INVENTORIES – GROUP**

	2014 HK\$'000	2013 HK\$'000
Merchandises, at cost	10,200	10,225

**23. TRADE RECEIVABLES – GROUP**

	2014 HK\$'000	2013 HK\$'000
Trade receivables	144,791	160,258
Less: provision of impairment loss	(152)	–
Trade receivables, net	144,639	160,258

## Notes to the Financial Statements

For the year ended 31 December 2014

### 23. TRADE RECEIVABLES – GROUP (Continued)

As at 31 December 2013, included in trade receivables with approximately HK\$4,676,000 were trade balances due from a related company which was included with details as follows:

Name of related party	Notes	Amount outstanding		Maximum amount outstanding during the year HK\$'000
		At 1 January HK\$'000	At 31 December HK\$'000	
2013				
Winlot Group <sup>#</sup>	39.2	21,089	4,676	21,089
<b>2014</b>				
Winlot Group <sup>#</sup>	39.2	<b>4,676</b>	<b>–</b>	<b>4,676</b>

<sup>#</sup> Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law of Mr. Wong, was a shareholder and a director of the related company.

The Group's trading terms with customers are mainly on credit. The credit terms are generally 7 to 90 days from the invoice date. All trade receivables are interest-free.

At each reporting date, the Group's trade receivables were individually determined to be impaired. Movements in provision for impairment of trade receivables during the years are as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 January	–	–
Provision of impairment loss	<b>152</b>	–
At 31 December	<b>152</b>	–

## Notes to the Financial Statements

For the year ended 31 December 2014

**23. TRADE RECEIVABLES – GROUP** *(Continued)*

The directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables, (net of impairment losses) as at the reporting date, based on the invoices dates, is as follows:

	2014 HK\$'000	2013 HK\$'000
0–30 days	111,173	94,125
31–60 days	24,701	45,890
61–90 days	4,492	7,901
Over 90 days	4,273	12,342
	<b>144,639</b>	160,258

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	111,863	93,983
Less than 60 days past due	30,407	53,708
Past due more than 60 days but less than 1 year	2,367	11,471
Past due more than 1 year but less than 2 years	2	1,096
	<b>144,639</b>	160,258

Trade receivables that were neither past due nor impaired related to customers with good repayment history.

At 31 December 2014, trade receivables that were past due but not impaired related to customers with good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade deposits paid to suppliers ( <i>note (a)</i> )	25,088	24,557	–	–
Other deposits	1,792	1,919	–	–
Prepayments	8,561	11,427	31	–
Other receivables ( <i>note (b)</i> )	460	224	–	–
	<b>35,901</b>	38,127	<b>31</b>	–

Notes:

- (a) The Group's trade deposits represented the purchase deposits paid to various independent third parties for supply of trading goods.
- (b) All other receivables was unsecured, interest-free and repayable on demand. Management considered that other receivables that were neither past due nor impaired as at each reporting date under review are of good credit quality.

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

### 25. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2014 HK\$'000	2013 HK\$'000
Listed equity securities, at fair value:		
– in Hong Kong	<b>38,291</b>	32,342

During the year ended 31 December 2014, the change in fair value in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$5,949,000 in surplus (2013: HK\$4,164,000 in deficit).

The fair value of the Group's investment in listed securities has been determined by reference to their quoted market prices at the reporting dates.

## Notes to the Financial Statements

For the year ended 31 December 2014

**26. PLEDGED BANK DEPOSITS – GROUP**

	2014 HK\$'000	2013 HK\$'000
Pledged bank deposits, denominated in – HK\$ and US\$	<b>20,895</b>	9,611

Pledged bank deposits have been pledged to certain banks as securities for general banking facilities granted to the Group.

Pledged bank deposits are deposited with creditworthy banks and carry fixed interest rates which ranged from 0.01% to 0.25% (2013: 0.01% to 0.1%) per annum. The directors of the Company considered that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

**27. CASH AND BANK BALANCES – GROUP**

	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	<b>125,211</b>	136,650

As at 31 December 2014, the Group has cash and bank balances denominated in RMB amounted to approximately HK\$3,338,000 (2013: HK\$5,126,000), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks. The directors of the Company considered that the fair value of the cash and bank balances is not materially different from their carrying amount because of the short maturity period on their inception.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 28. TRADE AND BILLS PAYABLES – GROUP

Trade and bills payables are non-interest bearing and normally have a credit period of 0 to 90 days from the invoice date.

	2014 HK\$'000	2013 HK\$'000
Trade payables	90,198	116,525
Bills payables ( <i>note</i> )	–	3,000
	<b>90,198</b>	119,525

*Note:* At 31 December 2013, bills payables were secured by the pledge of leasehold land and buildings (*note* 16) with the carrying amount of HK\$22,727,000, and the personal guarantees given by the Company's director, Mr. Wong and the Company's ex-director, Ms. Cheng (*note* 39.1(f)).

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates is as follows:

	2014 HK\$'000	2013 HK\$'000
0–90 days	89,668	110,768
91–180 days	108	854
181–365 days	–	1,262
Over 365 days	422	6,641
	<b>90,198</b>	119,525

The directors of the Company considered the carrying amounts of trade and bills payables to approximate their fair values.

## Notes to the Financial Statements

For the year ended 31 December 2014

## 29. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS – GROUP

	2014 HK\$'000	2013 HK\$'000
Deposits received	1,602	979
Accruals	39,425	25,502
Other payables ( <i>note</i> )	2,267	1,448
	<b>43,294</b>	27,929

*Note:* As at 31 December 2014, included in other payables of approximately HK\$1,208,000 (2013: HK\$866,000) was a due to a related company which was unsecured, interest-free and repayable on demand. The Company's director, Mr. Wong is the director of this related company. Mr. Wong and Ms. Cheng, the Company's ex-director, are together interested in 50% of this related company.

Name of related company	2014 HK\$'000	2013 HK\$'000
Ignite Hong Kong, Limited ("Ignite HK") ( <i>note 39.2</i> )	1,208	866

The directors of the Company considered the carrying amounts of deposits received, other payables and accruals to approximate their fair values.

## 30. BANK BORROWINGS – GROUP

	2014 HK\$'000	2013 HK\$'000
Term loans ( <i>note 30.1</i> )	1,187	5,511
Bank overdrafts ( <i>note 30.2</i> )	9,081	15,227
	<b>10,268</b>	20,738

## Notes to the Financial Statements

For the year ended 31 December 2014

### 30. BANK BORROWINGS – GROUP *(Continued)*

#### 30.1 TERM LOANS

	2014 HK\$'000	2013 HK\$'000
Portion of term loans from banks due for repayment		
– within one year	707	4,324
– after one year which contain repayment on demand clause	480	1,187
	<b>1,187</b>	5,511

The Group's interest-bearing bank borrowings, including the term loans with a repayment on demand clause, are carried at amortised cost. As at the reporting date, none of the portions of term loans due for repayment after one year which is classified as current liability is expected to be settled within one year.

	2014 HK\$'000	2013 HK\$'000
Portion of term loans from banks due for repayment		
– within one year	707	4,324
– after one year <i>(note)</i>		
– after 1 year but within 5 years	480	1,187
	<b>1,187</b>	5,511

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

All of the Group's term loan agreements contain clauses which gave the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 42.1(e). As at reporting date, none of the covenants relating to drawn down facilities had been breached.

As at 31 December 2014, the Group's term loans were secured by the pledge of leasehold land and buildings (note 16) with the aggregate carrying amount of HK\$9,186,000 (2013: HK\$22,727,000), and personal guarantees given by the Company's director, Mr. Wong and the Company's ex-director, Ms. Cheng (note 39.1(f)).

## Notes to the Financial Statements

For the year ended 31 December 2014

**30. BANK BORROWINGS – GROUP** *(Continued)***30.1 TERM LOANS** *(Continued)*

Term loans with outstanding sum of HK\$1,080,000 as at 31 December 2013 were guaranteed by the Hong Kong Special Administrative Region Government under the Special Loan Guarantee Scheme for a maximum limit equal to 70% to 80% of the outstanding loan amounts. These amounts had been fully repaid during the year ended 31 December 2014.

The ranges of effective interest rates per annum of the Group's term loans are as follows:

	2014	2013
Floating-rate borrowings	2.5%	1.71% to 3.75%

The directors of the Company estimate the fair value of the term loans by discounting their future cash flows at the market rate and the directors consider that the carrying amounts of the Group's term loans approximate to their fair values at each reporting date.

**30.2 BANK OVERDRAFTS**

As at 31 December 2014, the Group's bank overdrafts are secured by the Group's certain pledged bank deposits amounting to HK\$8,055,000 (2013: HK\$8,054,000) (note 26), and personal guarantees given by the Company's director, Mr. Wong and the Company's ex-director, Ms. Cheng (note 39.1(f)).

During the year ended 31 December 2014, the Group's bank overdrafts bore interest ranged from 4% to 5.25% (2013: 4% to 6%) per annum.

**31. AMOUNT DUE TO A RELATED PARTY – GROUP**

As at 31 December 2013, the amount due to a related party represented the partial outstanding consideration relating to the acquisition of Wonder Household (note 40) of HK\$4,800,000 and HK\$4,800,000 which were repayable within three months and six months respectively from 31 December 2013. These balances had been fully settled during the year ended 31 December 2014.

**32. AMOUNT DUE TO A SUBSIDIARY – COMPANY**

The amount due is unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 33. LOANS FROM NON-CONTROLLING INTERESTS – GROUP

As at 31 December 2014, loans from non-controlling interests of approximately HK\$1,920,000, RMB9,800,000 (equivalent to HK\$12,319,000), RMB2,400,000 (equivalent to HK\$3,017,000), RMB3,940,000 (equivalent to HK\$4,953,000) and RMB3,935,000 (equivalent to HK\$4,946,000) are unsecured, interest-free and repayable on 30 June 2015, 31 December 2015, 24 April 2017, 14 October 2016 and 6 November 2016 respectively.

As at 31 December 2013, loans from non-controlling interests of HK\$1,920,000 and RMB9,800,000 (equivalent to HK\$12,500,000) were unsecured, interest-free and repayable on 30 June 2015 and 31 December 2015 respectively.

### 34. DEFERRED TAX – GROUP

Details of the deferred tax assets and liabilities recognised and movements are as follows:

	Accelerated tax depreciation HK\$'000	Fair value adjustment on intangible asset upon business combination HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>	(4,234)	–	(4,234)
Acquisition of a subsidiary ( <i>note 40</i> )	–	(3,965)	(3,965)
Credited to profit or loss	90	–	90
<b>At 31 December 2013 and 1 January 2014</b>	(4,144)	(3,965)	(8,109)
Credited to profit or loss	195	793	988
<b>At 31 December 2014</b>	<b>(3,949)</b>	<b>(3,172)</b>	<b>(7,121)</b>

The amounts recognised in the consolidated statement of financial position are as follows:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	5	6
Deferred tax liabilities	<b>(7,126)</b>	(8,115)

## Notes to the Financial Statements

For the year ended 31 December 2014

**34. DEFERRED TAX – GROUP** (Continued)

The estimated unused tax losses carried forward not recognised in the consolidated financial statements due to unpredictability of future profit streams are as follows:

	2014 HK\$'000	2013 HK\$'000
Estimated unused tax losses	25,659	17,957

The PRC estimated tax losses can only be carried forward for a maximum period of five years and the Hong Kong estimated tax losses can be carried forward indefinitely. The expiry of estimated unused tax losses for which no deferred tax assets have been recognised is as follows:

	2014 HK\$'000	2013 HK\$'000
Estimated tax losses will expire at various dates up to 2019	20,048	14,415
Estimated tax losses can be carried forward indefinitely	5,611	3,542
	25,659	17,957

**35. SHARE CAPITAL – GROUP AND COMPANY**

	2014		2013	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Shares of HK\$0.01 each				
At 1 January	38,000	380	38,000	380
Increase in authorised shares (note (a))	9,962,000	99,620	–	–
At 31 December	10,000,000	100,000	38,000	380
Issued and fully paid:				
Shares of HK\$0.01 each				
At 1 January	1	–	1	–
Allotment of shares (notes (b) and (c))	9	–	–	–
At 31 December	10	–	1	–

## Notes to the Financial Statements

For the year ended 31 December 2014

### 35. SHARE CAPITAL – GROUP AND COMPANY *(Continued)*

Notes:

- (a) The Company was incorporated in the Cayman Islands on 25 June 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. On 25 June 2012, 1,000 ordinary shares were issued at nil paid.
- (b) On 22 December 2014, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$100,000,000 divided into 10,000,000,000 ordinary shares by the creation of an additional 9,962,000,000 shares.
- (c) On 23 December 2014, shareholder's loan (i) in the aggregate sum of HK\$248,766,204 advanced by King's Flair (Group) Development Limited ("KF Group"), a related company, of which Mr. Wong is a director, to Lions Power to finance its payment of the consideration for the acquisition of the 1,000,000 ordinary shares in King's Flair Development was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Lions Power; and (ii) in the sum of HK\$3,740,000 advanced by KF Group to Wealth Wise to finance its acquisition of the 3,740,000 ordinary shares in Manweal was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Wealth Wise.
- On 24 December 2014, the Company acquired the entire issued share capital of Lions Power and Wealth Wise from KF Group. The consideration was satisfied by the allotment and issue of 9,000 Company's shares, credited as fully paid, as to 1,800 Company's shares in favour of First Concord Limited and as to the remaining 7,200 Company's shares in favour of City Concord Limited and crediting as fully paid at par the 1,000 nil paid shares in issue at the time.
- (d) Subsequent to the reporting date, on 15 January 2015, 524,990,000 ordinary shares of HK\$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK\$5,249,000 from the Company's share premium account.
- (e) In connection with the Company's initial public offering, 175,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1.38 per share for a total cash consideration, before listing expenses, of approximately HK\$241,500,000, resulting in an increase in the issued share capital of the Company by HK\$1,750,000 and the share premium by HK\$239,750,000.

### 36. RESERVES – GROUP AND COMPANY

#### Group

Details of the movements on the Group's reserves for the years ended 31 December 2014 and 2013 are presented in the consolidated statement of changes in equity on page 33.

#### Merger reserve

The merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the consideration under the Reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

## Notes to the Financial Statements

For the year ended 31 December 2014

**36. RESERVES – GROUP AND COMPANY** (Continued)**Company**

	Share premium* HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013	–	–	–
Total comprehensive income for the year	–	–	–
At 31 December 2013	–	–	–
Allotment of shares (note 35(c))	252,506	–	252,506
Total comprehensive income for the year	–	(6,183)	(6,183)
<b>At 31 December 2014</b>	<b>252,506</b>	<b>(6,183)</b>	<b>246,323</b>

\* The share premium account of the Company arises on shares issued at premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

**37. OPERATING LEASE COMMITMENTS – GROUP**

At each reporting date, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings and plant and machinery are as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Land and buildings</b>		
Within one year	3,967	3,907
In the second to fifth years	3,919	6,145
	7,886	10,052
<b>Plant and machinery</b>		
Within one year	31	186
In the second to fifth years	–	31
	31	217
<b>Total</b>		
Within one year	3,998	4,093
In the second to fifth years	3,919	6,176
	7,917	10,269

## Notes to the Financial Statements

For the year ended 31 December 2014

### 37. OPERATING LEASE COMMITMENTS – GROUP *(Continued)*

The leases run for an initial period of one year to five years (2013: eight months to five years).

As at reporting date, none of these lease arrangements include contingent rentals and no additional rental expense was charged by the lessor.

### 38. CAPITAL COMMITMENTS – GROUP

	2014 HK\$'000	2013 HK\$'000
Commitments for the acquisition of property, plant and equipment: – authorised but not contracted for	–	134

### 39. RELATED PARTY TRANSACTIONS – GROUP

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

#### 39.1 Significant transactions with related parties

Nature of transaction	Name of related companies/parties	Notes	2014 HK\$'000	2013 HK\$'000
Sale of goods	Winlot Group	(a)	–	178,144
Licensing fee paid	Ignite HK	(b)	<b>2,823</b>	2,729
Management fee income	Grand Venture	(c)	<b>1,310</b>	3,069
Rental expenses	Mr. Wong	(d)	<b>386</b>	–
Acquisition of Wonder Household	Winlot Group	(e)	–	19,200

Notes:

- (a) Related companies, of which Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law to Mr. Wong is the shareholder and director of these related companies.
- (b) A related company, of which Mr. Wong is a director and Mr. Wong and Ms. Cheng are together interested in 50% of its shareholding.
- (c) An associate of the Group.
- (d) During the year ended 31 December 2014, the Group had paid rental expenses relating to a premises which is owned by Mr. Wong.
- (e) Details in respect of the acquisition of Wonder Household were set out in note 40 to the financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 39. RELATED PARTY TRANSACTIONS – GROUP *(Continued)*

#### 39.1 Significant transactions with related parties *(Continued)*

*Notes: (Continued)*

- (f) During the years ended 31 December 2014 and 2013, Mr. Wong and Ms. Cheng provided personal guarantees to certain banks for granting the general banking facilities to the Group. As at 31 December 2014, total amount of banking facilities of approximately HK\$10,268,000 (2013: HK\$23,738,000) have been utilised by the Group.
- (g) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

#### 39.2 Outstanding balances with related parties

Details of the Group's balances with the related parties as disclosed in notes 20, 23, 29 and 31 to the financial statements were arising from the related party transactions as summarised in note 39.1.

#### 39.3 Compensation of key management personnel

The directors are of the opinion that the key management personnel were all directors of the Company, details of whose emoluments are set out in note 11.1.

### 40. ACQUISITION OF A SUBSIDIARY

On 31 December 2013 (the "Acquisition Date"), King's Flair Development acquired an aggregate of 10,000 ordinary shares of HK\$1 each in Wonder Household being the entire issued share capital thereof, from a related company, Oera, which was wholly-owned by Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law to Mr. Wong, the directors of the Company at a cash consideration of approximately HK\$19,200,000. Wonder Household was principally engaged in trading of kitchenware products. The acquisition of Wonder Household represented an opportunity to broaden the Group's customer base. This acquisition constituted a related party transaction.

Having satisfied the terms and condition of the sale and purchase agreement, King's Flair Development obtained control over the operating and financial policies of Wonder Household which became a subsidiary of the Company and its financial results had been consolidated into the financial statements from the Acquisition Date.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 40. ACQUISITION OF A SUBSIDIARY (Continued)

The fair values of the identifiable assets and liabilities arising from the acquisition of Wonder Household at the Acquisition Date were as follows:

	HK\$'000
Intangible asset (note 21)	24,031
Trade receivables	26,094
Other receivables, deposits and prepayments	181
Cash and bank balances	806
Prepaid tax	1,781
Trade payables	(23,083)
Deposits received, other payables and accruals	(345)
Deferred tax liabilities (note 34)	(3,965)
<b>Fair value of net identifiable assets acquired</b>	<b>25,500</b>
Less: Fair value of consideration in cash	(19,200)
<b>Gain on bargain purchase</b>	<b>6,300</b>
<b>Purchase consideration satisfied by:</b>	
Cash	19,200 <sup>#</sup>
<b>Analysis of cash flows on acquisition of a subsidiary</b>	
Cash and bank balances acquired	806
Cash consideration	(19,200)
Unsettled cash consideration as at 31 December 2013	9,600
<b>Net cash outflow arising on acquisition for the year ended 31 December 2013</b>	<b>(8,794)</b>

<sup>#</sup> Including unsettled cash consideration of HK\$9,600,000 as at 31 December 2013 (note 31). These amounts had been fully settled during the year ended 31 December 2014.

Gain on bargain purchase of HK\$6,300,000 was mainly attributable to long-term business relationship with the Group such that benefits are derived at the time of determining the purchase consideration of the acquisition.

Acquisition related costs amounted to HK\$120,000 had been recognised as administrative expense for the year ended 31 December 2013.

Had the business combination been taken place on 1 January 2013, revenue and profit for the year of the Group would have been HK\$1,248,802,000 and HK\$82,882,000 respectively for the year ended 31 December 2013.

The above pro forma information was for illustrative purpose only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor was it intended to be projection of future results.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 41. CONTINGENT LIABILITIES

At the reporting date, neither the Group nor the Company have any significant contingent liabilities.

### 42. FINANCIAL RISK MANAGEMENT

#### 42.1 Financial risk factors

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks, (specifically to foreign currency risk, interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in note 42.2.

#### (a) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates and invests in Hong Kong with most of the transactions denominated and settled in HK\$, US\$ and RMB respectively. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB, which is the functional currency of the subsidiaries in the PRC to which these transactions relate. As US\$ is pegged to HK\$, the Group does not expect any significant movement in the HK\$/US\$ exchange rate. No sensitivity analysis in respect of the Group's sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as at the reporting dates.

Foreign currency risk arises from the Group's financial assets and liabilities, which were denominated in RMB other than the functional currency at the end of each reporting period are as follows:

	2014 HK\$'000	2013 HK\$'000
Trade receivables	268	1,204
Prepayments, deposits and other receivables	43	11
Cash and bank balances	2,880	3,966
Trade and bills payables	(19,879)	(20,441)
Deposits received, other payables and accruals	(1,112)	–
<b>Overall net exposure</b>	<b>(17,800)</b>	<b>(15,260)</b>

## Notes to the Financial Statements

For the year ended 31 December 2014

### 42. FINANCIAL RISK MANAGEMENT (Continued)

#### 42.1 Financial risk factors (Continued)

##### (a) Foreign currency risk (Continued)

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period. The appreciation and depreciation of 4% in HK\$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the reporting periods.

	(Decrease)/Increase on profit for the year	
	2014 HK\$'000	2013 HK\$'000
<b>RMB to HK\$</b>		
Appreciation by 4%	(595)	(510)
Depreciation by 4%	595	510

The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

##### (b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's cash and cash equivalents are held in major reputable financial institutions in Hong Kong and the PRC, which management believes are of high credit quality.

The Group has policies in place to ensure that service rendered and sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 7 to 90 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group has concentration of credit risk with respect to trade receivables. As at 31 December 2014, the Group's trade receivables due from 4 (2013: 4) customers, of approximately HK\$104,078,000 (2013: HK\$95,213,000) represented 72%, (2013: 59%) of trade receivables. As at 31 December 2014, no trade balances due from related companies were included in trade receivables.

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

### 42.1 Financial risk factors *(Continued)*

#### (b) Credit risk *(Continued)*

These customers are in good settlement records and reputation. The management believes that the credit risk on the amount due is minimal.

The Group has assessed the recoverability of all overdue receivables. The directors of the Company consider that no provision is necessary to cover the credit risk by reference to the counterparties' default history, except for certain trade receivables of which provision is made as further detailed in note 23 to the financial statements.

The measures to manage credit risk have been followed by the Group since prior years and are considered to be effective.

#### (c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than pledged bank deposits (note 26), cash and bank balances (note 27), bills payables (note 28) and bank borrowings (note 30), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year (through the impact on the Group's bank borrowings and bills payables which are subject to floating interest rate) by approximately HK\$43,000 (2013: HK\$99,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 42. FINANCIAL RISK MANAGEMENT (Continued)

#### 42.1 Financial risk factors (Continued)

##### (d) Price risk

The Group is exposed to equity price risk through its investments in equity securities which are classified as financial assets measured at available-for-sale financial assets. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and followed by the Group since prior years and are considered to be effective. The Group are not exposed to commodity price risk.

##### *Sensitivity analysis*

The following table demonstrates the sensitivity as if equity prices had increased/(decreased) by 10% change in the fair values of the equity investments, with all other variables held constant, after any impact of tax for each reporting date. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of comprehensive income.

	Effect on percentage change: Increase/(decrease) by 10% in equity price		
	Carrying Amount HK\$'000	Increase/ (decrease) in profit for the year HK\$'000	Increase/ (decrease) in revaluation reserve HK\$'000
At 31 December 2014			
Available-for-sale financial assets			
– Listed equity securities in Hong Kong	38,291	–	3,829/(3,829)
At 31 December 2013			
Available-for-sale financial assets			
– Listed equity securities in Hong Kong	32,342	–	3,234/(3,234)

##### (e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes.

The Group's liquidity position is monitored on a daily basis by the management.

## Notes to the Financial Statements

For the year ended 31 December 2014

**42. FINANCIAL RISK MANAGEMENT** (Continued)**42.1 Financial risk factors** (Continued)**(e) Liquidity risk** (Continued)

The following table summarises the remaining contractual maturities at the reporting dates of the Group's financial liabilities, which are based on contractual undiscounted payments.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay. That is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

**Group**

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
<b>At 31 December 2014</b>				
Trade payables	90,198	90,198	90,198	–
Other payables and accruals	41,692	41,692	41,692	–
Bank borrowings*	10,268	10,268	10,268	–
Loans from non-controlling interests	27,155	27,155	14,239	12,916
	<b>169,313</b>	<b>169,313</b>	<b>156,397</b>	<b>12,916</b>
<b>At 31 December 2013</b>				
Trade and bills payables	119,525	119,525	119,525	–
Other payables and accruals	26,950	26,950	26,950	–
Dividend payable	60,000	60,000	60,000	–
Amount due to a related party	9,600	9,600	9,600	–
Bank borrowings*	20,738	20,738	20,738	–
Loans from non-controlling interests	14,420	14,420	–	14,420
	251,233	251,233	236,813	14,420

\* Balance included term loans which are subject to repayment on demand clauses.

## Notes to the Financial Statements

For the year ended 31 December 2014

### 42. FINANCIAL RISK MANAGEMENT (Continued)

#### 42.1 Financial risk factors (Continued)

##### (e) Liquidity risk (Continued)

###### Company

	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
At 31 December 2014				
Amount due to a subsidiary	6,214	6,214	6,214	–

The measures to manage liquidity risk have been followed by the Group since prior years and are considered to be effective.

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

###### Group

	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000
At 31 December 2014	1,187	1,213	728	485
At 31 December 2013	5,511	5,608	4,395	1,213

##### (f) Fair value risk

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

The following table presents assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

## Notes to the Financial Statements

For the year ended 31 December 2014

**42. FINANCIAL RISK MANAGEMENT** (Continued)**42.1 Financial risk factors** (Continued)**(f) Fair value risk** (Continued)

Level 1: quoted prices (unadjusted) in active markets for identical assets;

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value as at reporting date in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

**Group**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>31 December 2014</b>				
Available-for-sale financial assets				
– Listed equity securities, at fair values	<b>38,291</b>	–	–	<b>38,291</b>
<b>31 December 2013</b>				
Available-for-sale financial assets				
– Listed equity securities, at fair values	32,342	–	–	32,342

The listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.

During the year, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

## Notes to the Financial Statements

For the year ended 31 December 2014

### 42. FINANCIAL RISK MANAGEMENT (Continued)

#### 42.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at each reporting dates are also analysed into the following categories. See notes 4.10 and 4.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets	38,291	32,342	–	–
Loans and receivables				
– Trade receivables	144,639	160,258	–	–
– Other deposits and other receivables	2,252	2,143	31	–
– Amount due from an associate	2,046	6,960	–	–
– Pledged bank deposits	20,895	9,611	–	–
– Cash and bank balances	125,211	136,650	–	–
	<b>333,334</b>	347,964	<b>31</b>	–
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
– Trade and bills payables	90,198	119,525	–	–
– Other payables and accruals	41,692	26,950	–	–
– Dividend payable	–	60,000	–	–
– Amount due to a subsidiary	–	–	6,214	–
– Amount due to a related party	–	9,600	–	–
– Bank borrowings	10,268	20,738	–	–
– Loans from non-controlling interests	27,155	14,420	–	–
	<b>169,313</b>	251,233	<b>6,214</b>	–

### 43. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to equity shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' 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 directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

## Notes to the Financial Statements

For the year ended 31 December 2014

**43. CAPITAL MANAGEMENT** *(Continued)*

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of the reporting periods were as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Total equity</b>	<b>246,946</b>	197,831
<b>Overall financing</b>		
Borrowings	<b>10,268</b>	20,738
Loans from non-controlling interests	<b>27,155</b>	14,420
	<b>37,423</b>	35,158
<b>Equity-to-overall financing ratio</b>	<b>6.6:1</b>	5.6:1

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the reporting periods.

**44. EVENTS AFTER THE REPORTING DATE**

On 15 January 2015, an aggregate of 17,500,000 ordinary shares and 157,500,000 ordinary shares were issued and offered for subscription under public offer and placing, respectively at a price of HK\$1.38 per share. The Group raised fund of approximately HK\$241,500,000, before any related listing expenses arising from the public offer and placing.

On 16 January 2015, the Company's shares were listed on the Main Board of the Stock Exchange ("Listing").

The directors of the Company have confirmed that the personal guarantees provided by Mr. Wong and Ms. Cheng have been subsequently released and replaced by a corporate guarantee by the Company upon Listing.

Except as disclosed elsewhere in the financial statements, there are no other significant events undertaken by the Company or by the Group after 31 December 2014.

**45. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2015.

## FINANCIAL SUMMARY

	Year ended 31 December			
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Financial results</b>				
Revenue	<b>1,359,459</b>	1,236,284	1,077,351	968,505
Profit before income tax	<b>116,650</b>	96,483	83,725	65,308
Income tax expenses	<b>(23,496)</b>	(18,150)	(15,517)	(19,860)
Profit for the year	<b>93,154</b>	78,333	68,208	45,448
Attributable to:				
Owners of the Company	<b>95,146</b>	82,887	70,356	45,033
Non-controlling interests	<b>(1,992)</b>	(4,554)	(2,148)	415
	<b>93,154</b>	78,333	68,208	45,448

	Year ended 31 December			
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Assets and liabilities</b>				
Non-current assets	<b>55,108</b>	61,451	35,887	38,003
Current assets	<b>377,711</b>	397,049	337,511	324,350
Current liabilities	<b>165,831</b>	238,134	185,392	204,967
Net current assets	<b>211,880</b>	158,915	152,119	119,383
Total assets less current liabilities	<b>266,988</b>	220,366	188,006	157,386
Non-current liabilities	<b>20,042</b>	22,535	4,240	4,384
	<b>246,946</b>	197,831	183,766	153,002