大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	3	**2,492,729**	2,465,110
Cost of sales		**(2,059,154)**	(2,117,310)
Gross profit		**433,575**	347,800
Other income and gains, net		**21,640**	31,092
Distribution costs		**(152,479)**	(161,504)
Administrative expenses		**(289,184)**	(275,826)
Allowance for impairment of bad and doubtful debts, net		**(6,429)**	(25,690)
Profit (Loss) from operations		**7,123**	(84,128)
Finance costs		**(21,267)**	(18,903)
Investment income		**11,804**	6,978
Share of results of associates		**(48)**	2,126
Gain on dissolution/deregistration of subsidiaries		**–**	2,033
Gain on disposal of associates		**2,037**	217,217
Impairment loss of available-for-sale financial assets		**–**	(6,202)
(Loss) Profit before taxation	4	**(351)**	119,121
Taxation	5	**(7,583)**	3,904
(Loss) Profit for the year		**(7,934)**	123,025

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Attributable to:			
– Equity shareholders of the Company		**(33,301)**	108,390
– Non-controlling interests		**25,367**	14,635
		(7,934)	123,025
(Loss) Earnings per share for (loss) profit attributable to the equity shareholders of the Company during the year	*6*		
– Basic		**(4.65 cents)**	15.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	2014	2013
	HK$'000	*HK$'000*
(Loss) Profit for the year	**(7,934)**	123,025
Other comprehensive (expense) income for the year, net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**(5,272)**	32,666
Change in fair value of available-for-sale financial assets	**112**	(8)
Share of other comprehensive (expense) income of associates	**(103)**	7,195
Release of translation reserve upon dissolution/deregistration of subsidiaries	**–**	1,313
Release of translation reserve upon disposal of associates	**(1,589)**	(43,543)
	(6,852)	(2,377)
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties held for own use	**7,996**	3,816
	1,144	1,439
Total comprehensive (expense) income for the year	**(6,790)**	124,464
Attributable to:		
– Equity shareholders of the Company	**(31,554)**	106,171
– Non-controlling interests	**24,764**	18,293
Total comprehensive (expense) income for the year	**(6,790)**	124,464

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current Assets			
Property, plant and equipment		**788,844**	709,223
Leasehold land and land use rights		**54,501**	56,271
Goodwill	*8*	**53,483**	53,483
Intangible assets	*9*	**11,987**	13,370
Interests in associates		**41,174**	45,343
Available-for-sale financial assets		**606**	494
Finance lease receivables		**14,103**	–
Deferred tax assets		**39,608**	25,970
		1,004,306	904,154
Current Assets			
Inventories		**656,310**	640,975
Finance lease receivables		**22,396**	–
Trade and other receivables	*10*	**743,337**	794,148
Other financial assets		**174,810**	–
Current tax recoverable		**2,120**	1,162
Cash and bank balances		**510,270**	750,415
		2,109,243	2,186,700
Current Liabilities			
Trade and other payables	*11*	**843,882**	900,180
Amounts due to associates		**481**	481
Bank borrowings – due within one year		**478,112**	438,128
Obligations under finance leases		**8,752**	12,911
Deferred consideration payable		**4,811**	4,274
Current tax payable		**6,738**	7,217
		1,342,776	1,363,191
Net Current Assets		**766,467**	823,509
Total Assets less Current Liabilities		**1,770,773**	1,727,663

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current Liabilities			
Bank borrowings – due after one year		**55,275**	–
Obligations under finance leases		**8,180**	5,194
Deferred tax liabilities		**26,630**	16,429
Deferred consideration payable		**3,066**	7,514
		93,151	29,137
Net Assets		**1,677,622**	1,698,526
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital		**532,903**	286,772
Reserves		**909,897**	1,187,582
Proposed final dividend	7	**–**	10,754
		1,442,800	1,485,108
Non-controlling Interests		**234,822**	213,418
Total Equity		**1,677,622**	1,698,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2014

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties held for own use and certain financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRS and amendments to HKFRS that are first effective for the current accounting period of the Company and the Group. Of these, the following developments are relevant to the Group's and the Company's financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
- HK(IFRIC) 21, Levies

The Group has not early applied any new standard, amendment or interpretation that has been issued but not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

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

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

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

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

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal. However, the Group does not have any impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designed as a hedging instrument meets certain criteria. The amendments do not have an impact on these consolidated financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the guidance is consistent with the Group's existing accounting policies.

3. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following four reportable segments.

(1) trading of industrial consumables;

(2) manufacturing of plastic processing products;

(3) manufacturing of machinery; and

(4) manufacturing and trading of printed circuit boards.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's top executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and corporate expenses.

The segment results for the year ended 31st December, 2014 are as follows:

	Industrial consumables	Plastic processing products	Machinery	Printed circuit boards	Other operations	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	**415,602**	**381,458**	**826,732**	**856,609**	**12,328**	**–**	**2,492,729**
Inter-segment sales	**13,640**	**273**	**4,146**	**–**	**6,538**	**(24,597)**	**–**
Total revenue	**429,242**	**381,731**	**830,878**	**856,609**	**18,866**	**(24,597)**	**2,492,729**

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables	Plastic processing products	Machinery	Printed circuit boards	Other operations	Eliminations	Consolidated
RESULTS							
Segment results	**25,683**	**(23,472)**	**(22,960)**	**58,958**	**(1,949)**	**363**	**36,623**
Unallocated corporate expenses							**(29,500)**
Profit from operations							**7,123**
Finance costs							**(21,267)**
Investment income							**11,804**
Share of results of associates							**(48)**
Gain on disposal of an associate							**2,037**
Loss before taxation							**(351)**
Taxation							**(7,583)**
Loss before non-controlling interests							**(7,934)**

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	**261,443**	**389,015**	**1,164,251**	**572,531**	**198,342**	**2,585,582**
Interests in associates						**41,174**
Available-for-sale financial assets						**606**
Unallocated corporate assets						**486,187**
Consolidated total assets						**3,113,549**
LIABILITIES						
Segment liabilities	**50,780**	**91,460**	**466,849**	**238,820**	**814**	**848,723**
Current tax payable						**6,738**
Borrowings						**550,319**
Unallocated corporate liabilities						**30,147**
Consolidated total liabilities						**1,435,927**
OTHER INFORMATION						
Capital additions	**481**	**11,019**	**22,178**	**21,275**	**102,535**	**157,488**
Depreciation and amortisation	**1,357**	**15,094**	**36,841**	**29,619**	**1,962**	**84,873**
Other non-cash expenses	**2,005**	**4,622**	**2,877**	**2,360**	**–**	**11,864**
Share of results of associates	**–**	**(406)**	**490**	**(126)**	**(6)**	**(48)**

The segment results for the year ended 31st December, 2013 are as follows:

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	408,339	392,504	972,044	682,951	9,272	–	2,465,110
Inter-segment sales	22,425	330	6,670	–	6,188	(35,613)	–
Total revenue	430,764	392,834	978,714	682,951	15,460	(35,613)	2,465,110

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS							
Segment results	30,357	(38,654)	(81,103)	36,601	(4,085)	361	(56,523)
Unallocated corporate expenses							(27,605)
Loss from operations							(84,128)
Finance costs							(18,903)
Investment income							6,978
Share of results of associates							2,126
Gain on dissolution/deregistration of subsidiaries							2,033
Gain on disposal of associates							217,217
Impairment loss of available-for-sale financial assets							(6,202)
Profit before taxation							119,121
Taxation							3,904
Profit before non-controlling interests							123,025

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	256,654	384,514	1,258,923	550,326	96,348	2,546,765
Interests in associates						45,343
Available-for-sale financial assets						494
Unallocated corporate assets						498,252
Consolidated total assets						3,090,854
LIABILITIES						
Segment liabilities	59,697	79,871	511,039	255,181	3,034	908,822
Current tax payable						7,217
Borrowings						456,233
Unallocated corporate liabilities						20,056
Consolidated total liabilities						1,392,328
OTHER INFORMATION						
Capital additions	1,139	16,702	32,872	11,838	678	63,229
Depreciation and amortisation	1,357	15,366	39,325	27,046	1,586	84,680
Other non-cash expenses	959	13,327	66,625	(2,880)	4,206	82,237
Share of results of associates	–	(920)	1,543	27	1,476	2,126

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**761,981**	662,691
PRC	**1,488,372**	1,554,639
Other Asia-Pacific countries	**198,818**	205,802
North America	**5,312**	16,008
Europe	**38,246**	25,970
	2,492,729	2,465,110

The following is an analysis of the Group's fixed assets and intangible assets ("specified non-current assets"), and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Specified non-current assets		**Additions to property, plant and equipment**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**216,013**	117,197	**101,578**	1,885
PRC	**692,802**	715,150	**55,910**	61,344
	908,815	832,347	**157,488**	63,229

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year (2013: Nil) and no information about major customers is presented accordingly.

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation has been arrived at after charging (crediting) the following:

	2014	2013
	HK$'000	*HK$'000*
Charging:		
Directors' remuneration	**13,521**	12,813
Staff costs (excluding directors' remuneration)		
– Salaries and other benefits	**411,409**	381,478
– Retirement benefits scheme contributions	**22,332**	16,964
Total staff costs	**447,262**	411,255
Depreciation and amortisation on:		
– Owned assets	**78,608**	77,058
– Intangible assets	**1,383**	461
– Assets held under finance leases	**2,027**	4,929
– Leasehold land held for own use under finance leases	**1,241**	723
– Leasehold land and land use rights	**1,614**	1,509
Loss on disposal of property, plant and equipment	**310**	–
Deficit on revaluation of properties held for own use	**201**	17
Exchange loss, net	**514**	4,373
Auditors' remuneration		
– Current year	**2,857**	3,100
– Under (Over) provision in prior years	**223**	(4)
Operating lease payments – Land and buildings	**26,890**	24,525
and crediting:		
Rental income net of nil direct outgoings	**(595)**	(590)

5. TAXATION

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax		
Current year	**1,257**	2,282
Overprovision in prior years	**(117)**	(491)
	1,140	1,791
Overseas tax		
Current year	**10,538**	8,386
Underprovision in prior years	**838**	893
	11,376	9,279
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(4,933)**	(14,974)
Taxation charge (credit)	**7,583**	(3,904)

6. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share

The calculation of basic (loss) earnings per ordinary share is based on the Group's (loss) profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Weighted average number of ordinary shares in issue during the year	**716,930,692**	716,930,692
(Loss) Profit attributable to the equity shareholders of the Company	**(HK$33,301,502)**	HK$108,389,916
Basic (loss) earnings per share	**(HK$4.65 cents)**	HK$15.12 cents

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

7. DIVIDEND

(1) Dividend payable to equity shareholders of the Company attributable to the year

	2014	2013
	HK$'000	*HK$'000*
Dividend proposed after the balance sheet date of HK$Nil (2013: HK$0.015) per share	**–**	10,754

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

	2014	2013
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.015 (2013: HK$Nil) per share	**10,754**	–

8. GOODWILL

THE GROUP

	HK$'000
COST	
At 1st January, 2013	–
Acquisition of subsidiaries	53,483
At 31st December, 2013 and 31st December, 2014	53,483
ACCUMULATED IMPAIRMENT	
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	–
CARRYING AMOUNT	
At 31st December, 2014	53,483
At 31st December, 2013	53,483

9. INTANGIBLE ASSETS

THE GROUP

	Customer Relationship *HK$'000*
COST	
At 1st January, 2013	–
Acquisition of subsidiaries	13,831
At 31st December, 2013 and 31st December, 2014	13,831
ACCUMULATED AMORTISATION	
At 1st January, 2013	–
Amortisation for the year	461
At 31st December, 2013 and 1st January, 2014	461
Amortisation for the year	1,383
At 31st December, 2014	1,844
NET BOOK VALUE	
At 31st December, 2014	11,987
At 31st December, 2013	13,370

Customer relationship is amortised on a straight-line basis over the useful life of 10 years.

THE COMPANY

The Company has no intangible assets as at 31st December, 2014.

10. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables	**728,430**	773,902
Less: allowance for impairment of bad and doubtful debts	**88,770**	84,165
	639,660	689,737
Other receivables	**73,440**	65,305
Less: allowance for impairment of bad and doubtful debts	**18,884**	20,020
	54,556	45,285
Prepayments	**49,078**	58,860
Amounts due from related parties	**43**	266
	743,337	794,148

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoiced date and net of allowances, at the balance sheet date is as follows:

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
0 to 3 months	**419,857**	475,278
4 to 6 months	**95,064**	95,312
7 to 9 months	**35,325**	55,056
Over 9 months	**89,414**	64,091
	639,660	689,737

11. TRADE AND OTHER PAYABLES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Trade and bills payables	**559,084**	636,033
Accruals and other payables	**275,198**	254,547
Amounts due to related parties	**9,600**	9,600
	843,882	900,180

The directors consider that the carrying amount of trade and other payables approximates to their fair value. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
0 to 3 months	**424,651**	478,975
4 to 6 months	**84,178**	100,533
7 to 9 months	**31,839**	46,019
Over 9 months	**18,416**	10,506
	559,084	636,033

12. CAPITAL COMMITMENTS

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Capital expenditure:		
Authorised but not contracted for	**–**	94,768
Contracted but not provided for	**5,933**	6,594
	5,933	101,362

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	**–**	–	**274,679**	214,537

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2014 and 31st December, 2013.

14. PLEDGE OF ASSETS

At the balance sheet date, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2014	2013
	HK$'000	*HK$'000*
Buildings	**110,800**	76,020
Leasehold land held for own use under finance leases	**64,400**	–
Leasehold land and land use rights	**8,852**	9,222
Plant and machinery	**30,196**	51,170
Other financial assets	**67,463**	–
Bank deposits	**157,394**	219,553
	439,105	355,965

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend (2013: HK$1.5 cents) per share for the year ended 31st December, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Wednesday, 20th May, 2015 to Thursday, 21st May, 2015 (both days inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 19th May, 2015.

RESULTS

The Group's consolidated turnover was about HK$2,492,729,000 in the financial year, up by about 1% from approximately HK$2,465,110,000 of 2013. After tax loss for the year was about HK$7,934,000, compared with after tax profit of about HK$123,025,000 of the prior year. For the year ended 31 December 2014, loss attributable to shareholders was about HK$33,301,000 while profit attributable to shareholders of the corresponding period of the prior year was approximately HK$108,390,000.

CHAIRMAN'S STATEMENT

2014 has been a year of challenges and difficulties for the Group. In terms of macro-economics, divergence was seen in the global economy. While the US economy has gradually recovered from crisis, the economies in European countries remain stagnant. Chinese economy saw a reasonable growth, yet the rate of growth was not as pleasing as compared with the previous year. Small and Medium Enterprises in mainland China continued to face difficulties in financing. Thus, customers remained conservative in the addition of equipment and allocation of resources. In face of the adverse business environment, the Group's consolidated turnover has seen a slight dip of approximately 1% compared to last year. Without substantial provision to be made, the comprehensive operating profit for the year was HK$7,123,000, with an improvement over last year's operating loss of HK$84,128,000. Without the extraordinary revenue from the disposal of associates like last year, loss for the year attributable to the shareholder was approximately HK$33,301,000.

During the year under review, the Group has been striving for breakthroughs amid challenges through performing adjustment and strategic planning on different aspects of its various businesses. Under an array of unfavourable economic factors, the turnover of the machinery manufacturing business decreased significantly as compared with last year and continued to experience a loss. It has been the Group's persistent business direction to maintain sustainable long term development. Therefore, the Group has maintained its input in the research and development of manufacturing machinery. Energy-saving, precision and stability in products continued to be the theme of Research and Development. Enhanced improvements were made on products such as the Ge-Plus series all-electric high precision injection moulding machines, Se series CNC Servo-driven Hydraulic press machine, and ESD series all-electric Servo-driven CNC brake presses. During the year, this business has been granted 4 new invention patents, successfully applied 3 invention patents and 8 patents on inventions made in the prior financial year were granted with further patent rights. This business seeked to address the keen market competition with pioneering products. At the end of the year, the business commenced its machinery rental service, to ease financial stress of the customers, and improve its competitiveness with supreme financing service. The business will continue with its efficacy reform and adjustment in strategic plan since last year and expect an improvement in results in the coming year.

Facing a continuous surge in labour cost, the plastic processing and products business continued to record an operating loss. The business of home appliances and audio-visual products processing in Dongguan has transformed due to the shift in audio-visual product market. To adapt to the changes, the business planned to develop business of plastic moulding and processing of small home appliance. These changes in strategic plan helps the business to broaden its customer base. In the production base in Hefei, orders for home appliances have been relatively stable during the year. With investment in new plants, machinery and equipment, along with revised human resources framework, the business achieved contributed to the profit for the year. Due to changes in customers, the professional food packaging business located in Zhuhai recorded a decrease in turnover and sustained a loss for the year. As regard to its development in new products, the team actively developed folding seal cap for milk powder containers for the clients, and won recognition in the industry. In the coming year, the business will transform from injection moulding processing to provision of professional packaging solutions and products in order to retain its competitiveness in the product. While there was difficulty to achieve a breakthrough in its business scale, the optic and lighting products business continued to sustain a loss. The business is subject to readjustment in the coming year. Additionally, foreseeing an unclear prospect in the market of environmental-friendly utensils, the Group has decided to terminate the Biochef environmental-friendly utensils project in the coming year.

Despite unfavourable market conditions, the trading business displayed excellent performance. In addition to the successful development of business segments in areas with competitive advantages such as elevators and robotic arms, the business team also developed a number of agent products and provided service packages integrated with product and technical support, with an aim to enhance customer satisfaction and maintain the Company's profit. In a rapidly changing market with rapidly-evolving products, the business will continue its stringent control on inventory level and trade receivables to in order to achieve a sound financial position.

During the year under review, the print circuit board business has not only explored new markets actively and expanded its customer base, the business also fine-tuned its production flow, and allocated extra resources in highly value-added products. Such move has helped in bringing more orders which resulted in profit growth. At the end of 2013, the business acquired a Japanese circuit board trading company, and funded and progressively developed the acquired business afterwards. With unexpectedly smooth progress, this business resumed its sales growth, and reversed the operational loss to a profit. The results of the acquired business has been included in the print circuit board business this year, which boosted the results of the overall business in the year under review. It is expected that the synergy between the production and trading will bring even better results to this business.

PROSPECT

The sluggish and uncertain global economy as well as the devaluation of currencies, other than US dollars, around the world have brought stiff challenges to various manufacturing businesses of the Group. With the downward pressure on the economy and the continuous surge of labour cost, it is expected that market competition will heighten. The new generation of China's leadership, who has been in office for more than a year, has promulgated a number of new regulations with respect to the allocation of income, labour ordinance, adjustment in industry structure and environmental protection, which will influence the business environment and the Group. The board and the management will monitor closely and respond with appropriate strategies.

I would like to extend my heartfelt appreciation for the hard work from the management and all employees. Their diligence, vigor and practicality in confronting challenges, successfully helped the Group maintain its strong foundation in the past year of grave challenges. I would like to sincerely thank the directors for their support and contribution to the Group, and the customers and business partners, for their support and cooperation.

BUSINESS REVIEW

During the year 2014, global business revival was far from being balanced. The U.S. economy basically got rid of the influence of financial crisis, and the U.S. Federal Reserve System backed out of its quantitative easing policy. While Europe and Japan, on the other hand, took further steps to intensify monetary easing, their economies were still in a slump. As one of the global economic pillars, China saw weak performance in last year's manufacturing and trade segments and a downward spiral of real estate prices, compared to several years ago. Although industrial production still operated within a reasonable range, overall capital investment continued to slow. These did have influence on the Group's overall business, and the various business segments saw differing performances in the year.

Manufacturing operations

Machinery

This year's machinery business recorded approximately HK$826,732,000 revenue, which was 15% down from last year's figures, and contributed 33% to Group consolidated revenue. The business recorded an operating loss of HK$22,960,000.

During the review period, China's economic growth saw a slowdown this year, and mainland factories reduced or delayed machinery and equipment procurement. The economic performances overseas varied. Although the American economic growth was taking a turn for the better, Europe's and Japan's performances were still weak, and manufacturers' capital expenditures were rigorously controlled. Under the influence of such unfavorable environment, this business segment of ours suffered a loss. However, faced with such difficult operating environment, this business segment team continued to uphold its proactive and progressive attitude. Under the guiding strategy of "returning to basics to rebuild our strength", we took various effective measures, including the reorganization of the corporation's organizational structure, the re-deployment of management, sales, and manufacturing staff, and streamlining. In order to better cater to the needs of high-end and specialized equipment customers, various optimization projects were launched for product design, function, and component configuration for various machineries, especially high-end and specialized equipment.

Regarding plastic injection molding machines, the high-end Ge-Plus series of all-electric plastic injection molding machines was released in the market, stimulating good market response, and was widely accepted by customers of the medical, electronic and other high value-added industries. Its precision, stability, energy saving, and other features were in line with the needs for "lean" in modern manufacturing industries. However, the impact of devaluation of foreign currencies, especially the Japanese Yen, led to a de facto price reduction of plastic injection molding machines with Japan as the country of origin, and competition became ferocious. The Group had to plan to push for cost optimization and configuration changes to enhance competitiveness. The Group and Japan's UBE Machinery Industries, Ltd. have been strategic partners for over 12 years, and a higher level of cooperation was achieved last year, where both parties implemented the technology transfer of medium to large scale all-electric plastic injection molding machines. Henceforth the Group will apply Japan's sophisticated key technology and mechanical design for these machines. These advanced models are expected to help long-term development of this business in the high-end automotive fitting industry, and are expected to be released in the market in the second quarter of 2015. The newly developed third generation large two-platen machines were successfully released in the market, and received recognition from extensive customer groups. Innovations of this machine's mechanical structure effectively and significantly enhanced its mold clamping precision. As its design plan was aimed at unique customer demands, it was able to provide ideal production efficiency and performance to customers of various industries. Future emphasis will be on the increase of market penetration, and the establishment of a group of high-end customers to be labeled as benchmark customers. Overall business positioning of plastic injection molding machines will aim at the medium- and high-end plastic manufacturing industries to design "industry-specific machine series", each catering for the unique requirements of a particular industry, so as to reduce dependence on standard machine models to improve gross profit margin.

Regarding hydraulic press machines, the energy saving, precision and mute effects of CNC servo drive Se series hydraulic press machines received extensive customer recognition, in which energy saving compared to comparable regular models enjoyed a 30% to 50% advantage. These models were further equipped with automatic feeding and reclaimer devices so as to achieve the effect of automated production, to achieve effective lowering of operational costs, and to enhance the quality of finished products, all of which were aimed at satisfying medium- and high-end customer requirements. Major customer industries in this area included gold jewelry and auto spare parts. Other markets for these models, such as telecommunication and household appliances, are being developed.

Regarding CNC punching machines, the newly developed ESD series all-electric servo CNC punching machines was released in the market last year. Compared to comparable existing models, they were 30% more energy efficient, and work efficiency was enhanced by 20%. Since the series' release in the market in 2014, and having undergone incessant improvements since then, its performance was approaching perfection, and will in the coming year be the flagship product. Owing to the market demand for bending machines in the sheet-metal market is great, we will focus on performance and quality enhancement projects in order to give impetus to sales increase. Due to the continual rise of labor cost in the sheet metal industry, improvement of production efficiency and lowering of labor cost were becoming imperative needs. Therefore, towards the end of the year, this business completed development of the peripheral automation equipment, the "automatic sheet loading and unloading device", for numerical control punching machines, which will be released in the market in 2015, with the potential of becoming an area of new profit growth. In addition, this business will be positioned as a full range automated equipment manufacturer that provides customized automation solutions for varying sheet metal customers, changing the present condition of homogenization of many manufacturers' products, and blazing a new trail of development that best suit our own characteristics.

For rubber injection moulding machine and extrusion machine, overall market performance of this year was good. These two products also supported the needs of change in national developmental policy and the overall market, specialized and large models of which were aimed at providing and developing solutions needed by the customer. Problems in such areas as future market development, industry transformation and upgrading, and human resources will have to find solution in automation to solve such problems in manufacturing as labor intensiveness, higher product output efficiency, enhanced product quality, and improvement of customer competitiveness. On the rubber injection moulding machine front, regular machines are mainly medium and small models, while large ones are meant to provide solution for customer needs. For current market development, the focus will be on the industries of electric power generation, auto spare parts and high speed trains, seal fittings, and food packaging. Furthermore, increased investments will be made in the high-end market of this business segment, and product scope will be based on the concepts of professionalism and automation. The target is to enhance customer production efficiency, and the focus is on high-end specialized industries. Regarding extrusion machines, service targets were mainly in the infrastructure industries, including fuel gas pipelines, suction pipes and drains. The multi-layer co-extrusion single tube machine was especially developed to satisfy special needs of the customer – a specialized equipment, and a solution, which won the China Machinery Industry Federation Industrial Science and Technology Award, as well as the invention patent. This specialized machine utilizes a unique confluence technology, allowing the composite layer to be more precise and stable, the advantages of which are improved product performance and durability, the possibility of substituting metal pipes, and cost optimization. This will be a new trend in the piping industry.

Plastic Products and Processing

During the period under review, sales to the plastic products and processing recorded a 3% drop compared to the previous year. Sales revenue was HK$381,458,000 which was 16% of the Group's overall sales revenue. Recorded operating loss was HK$23,472,000.

Volume of sales to the business of home appliance, A/V product and plastic part processing in Dongguan was significantly down from the previous year. An operating loss was again recorded this year, but showed improvement compared to the previous year. Within the year, main brands of the audio and video business were undergoing mergers and restructuring, which directly affected development and product sales, while their products were at the stage of transformation and integration, and were being replaced by internet players and wireless speakers. This dealt a heavy blow to our sales to this market. Faced with these difficulties, this business team was unrelenting, and placed emphasis on production cost control and focused on operational cash flow, and thus allowed this business' operation to remain sound. During the second half of the year, the team also attempted to bring in the small household electric appliance injection molding processing business so as to expand customer base, and increase sales and profit.

For Hefei production base sales volume and net profit within the year recorded reasonable growth compared to the previous year. After three years of efforts in its cultivation, this business rose above the survival phase and entered into the developmental phase. On the operation management front, this business team laid down four policies; namely, management informatization, technology standardization, production automation, and product optimization. These significantly improved overall operation management, and enhanced efficiency. Regarding production facilities, the phase 2 of the simple factory buildings was complete; inventory warehouse and assembly lines moved into the new factory buildings. Furthermore, over ten robotic arms, several assembly lines and spray lines were added, enhancing production automation level and production efficiency, and hence increasing production volume. Regarding human resources, efforts were put into the building of a talent team, the implementation of staff retaining policy, the selection of new recruits, the simplification of departmental organization and communication channels, and the cultivation of a corporate culture, all for the purpose of stabilizing and energizing the business team.

For the specialised food packaging and cutlery business in Zhuhai, its business volume showed a significant decline compared to the previous year, and recorded an operating loss. Main reason was the abrupt decline of orders from candy bar customers, directly leading to such decline. Fortunately a folding seal cap was developed for powder milk this year, and this product received the recognition of many major brand powder milk suppliers, who placed orders for the product, leading to satisfactory growth in this year's cap product sales, and compensating for part of the decline in candy bar sales orders. Furthermore on the food safety management front, this business unit successfully passed the global food safety standards of the British Retail Consortium (BRC). Regarding production equipment, to satisfy hygienic requirements of powder milk and ice cream packaging products, optimization programs were launched this year against product safety and hygiene in injection molding, assembly and extrusion workshops; a number of automation equipment was added, including robotic arms and automatic feeders to enhance productivity. On the human resources front, to enhance front line employee morale and professional technical capabilities, a series of training programs was conducted this year; training contents mainly included production techniques, communication skills and management concepts. With active employee participation, benefits of the training were manifested in daily work.

For optic and lighting business, the business volume of this year decreased, while loss increased, compared to the previous year. Europe's economic recession and customers' inventory reduction policy led to a decrease in sales orders, while U.S. orders also decreased because one of the U.S. customers withdrew from the sales channels of large chain stores. However, Japan's demand for optical products, such as the magnifying glass, for the elderly population continued to rise, and led to an increase in sales orders. To cope with the needs of the elderly for related products, an effort was made to develop a series of transparent magnifying glass and foldable reading glasses; some of the products were successfully developed with design and quality meeting customers' requirements.

The business operation of the eco-friendly kitchenware-Biochef will be terminated next year due to uncertain business prospects.

Printed circuit board (PCB)

The PCB business this year recorded a business volume of HK$856,609,000, which was up 25% compared to last year, contributing 34% to the Group's overall business volume, and an operating profit of HK$58,958,000.

Performance of this business was good. Although depressed market overall performance of the previous year continued to affect this year's performance, and keen competition brought pressure to bear on its operation, there was a breakthrough in sales, thanks to the efforts of this business team. According to business plan this year, the sales team will maintain market share in Japan, while further developing the European market. In addition, an effective sales strategy adjustment was made in the domestic market, mitigating the influence brought about by the instability of sales orders from different regions, and successfully achieving this year's sales targets. On production management skills, investments in automation equipment continued, effectively enhancing production efficiency and reducing labor costs. Furthermore, rigorous management of production processes was reinforced, to save energy and to reduce emission, to enhance product quality and to secure customer confidence.

The PCB Trade Business overall operational performance this year was good. Work on maintaining stability of existing customer groups was successful. In the market's selection of suppliers, this business unit was once again listed as supplier for key development. The sales team launched an all new sales strategy this year, successfully developing several new customers. All these played an important role in the Company's continual healthy development.

Trading Business

Industrial consumables

The business volume of the trading business in the year under review was HK$415,602,000, up 2% compared to the previous year, and contributing 17% to the Group's overall business volume. Operating profit was HK$25,683,000.

The year's overall business environment was still unsatisfactory. The noticeable slowdown of the domestic economic growth took its toll on the majority of industries, especially on machinery manufacturing operations. The trade group has always had its eye on the domestic market, and, therefore, was in grave difficulties. The business team this year adopted the bundling sales strategy for the elevator industry, and successfully increased sales volume. Successful promotion of new products, such as high speed steel wire, pre-galvanized steel wire, specialized control on plastic injection molding, and plastic fasteners helped the Trade Business group to maintain performance under such sluggish market conditions. Concurrently this group continually reduced inventory of low turnover rates and rigorously maintained receivables at a reasonable level, and thus, maintained a healthy financial situation.

Business prospects

Regarding the machinery business, operating environments in the coming year will continue to be difficult and pose a serious challenge. Despite this grim situation, this business group will uphold its consistent guiding strategy, and plans to concentrate resources to fortify basic elements. On product and service, product quality will be actively controlled to reinforce stability. Focus will be on medium- and high-end products to cater to customer needs. Regarding the market, this business group will proactively investigate the needs of customer industries, and gain an understanding of competitors' plans, actions, and tendencies, using these to optimize the functions and designs of specialized equipment for the customer. On management system and process, high efficiency and quick response management processes will be established to reinforce management capabilities to respond to emergency situations. On cost control, a comprehensive cost review and control program will be implemented from the various perspectives of design, supply chain, machining, production efficiency, rejected items, and sales. On sales strategy, technical sales will be the main thrust, selling solutions to customer problems, and reinforcing after-sales services. There are also plans to establish a sales incentive system, to conduct accentuated training for technical sales personnel, and to expand the sales network. Business management staff has the confidence that, through insistence of implementing the five basic elements, this business unit will show good performance in the year to come.

Regarding the Dongguan's household electric appliance, audio and video product, and plastic processing markets, it is expected that the audio and video product market will continue to shrink and will have adverse effects on the sales of these products. Despite this, in the second half of the year this business team successfully brought in the small household appliance plastic injection business, of which the team expects continual development to compensate for the decline in sales in the audio and video market. The team will also concentrate on continual enhancement of human resources levels, and replacing mechanical equipment configurations to improve small household appliance quality, so as to increase sales and to gradually improve overall gross profit levels.

Hefei Production Base will persist in its four policies in operational management in the coming year, so as to enhance efficiencies in operation and production, and hence, to lower costs. Regarding sales, the primary target is to stabilize sales orders. The sales team will strive to optimize customer mix by developing new customers so as to gradually lower significance of large customers' share in contribution to overall sales. The team will strive to reinforce contacts and communication with existing customers to increase sales, and to cultivate new customers. Regarding production facilities, it is planned in the coming year to invest in robotic arms and injection molding machines, to build a new automated production line for injection molding machines, and to appropriately invest in mold service equipment.

Regarding the specialised food packaging and cutlery business in Zhuhai, it is expected the food packaging industry in China will continue to flourish, and the main concern will be packaging safety and hygiene, especially in baby foods. It is expected that this business in the coming year will concentrate on optimization of design and production engineering of folding cap seals for powder milk to satisfy its higher hygienic requirements. Regarding sales, it is planned to promote folding cap seals for powder milk to domestic and overseas main brand powder milk suppliers, to develop the domestic market of candy bars, and to promote in-mold labelling products to ice cream suppliers.

Regarding the optic and lighting business, the issue of an aging population affects not only Japan; it is a global issue. Elderly people today place heavy emphasis on the quality of life, and their requirements for quality of daily essentials are becoming higher. This business will persist in its core value, reinforce product development, and supply ever better quality products to OEM and ODM customers. On sales promotion, the main thrust will be in seeking new business opportunities in the U.S. market through participation in large scale exhibitions. Mobile phone software will be used for product promotion, and reinforcement of communication with customers.

On the printed circuit board business, for geopolitical reasons and their influence, it is expected that Japanese enterprises will gradually reduce investment in China, and sales orders from existing Japanese customers will be affected to varying degrees. Therefore, there will be corresponding measures in sales strategy. This business plans to fully capitalize on the resources of the trading companies in Japan and its mature market to actively brave new worlds. Regarding the European and the Chinese markets, there will be reinforced development in the automotive and environmental fields. Furthermore, an operation mode of balanced development for overseas and domestic markets will be adopted to achieve the target of increased sales. Product mix will also be optimized; single-sided production line of lower added value will be eliminated by selection, a fully automatic green paint spray line will be brought in, and drilling and milling equipment will be added with the aim of enhancing product quality, and, at the same time, adding new profit growth.

Regarding the PCB Trade Business, the business team will continue to rely on the support of the PCB industry to provide better service to the customer, and to open up new markets. At the same time cooperation of the sales teams of China, Hong Kong, China and Vietnam will be reinforced to gradually strengthen our market position in the PCB Trade field.

Looking forward in the year ahead, the U.S. economy is expected to continue its revival, and our overseas market condition will gradually improve. The Chinese economy may be slowing down, but its GDP should maintain growth at the rate of 7% per annum. This colossal market is still full of business opportunities, although the implementation of political and economic reforms will have some short term effects. The year 2015 is the last year in the 12th Five Year Plan; our trade business groups will continue to focus on environmental protection and energy saving, factory upgrading, and automation requirements in their implementation of established business development plans. It is expected that the domestic economy will continue to be a global leader, but competition will be more ferocious by the day. We will focus on the industries with competitive advantages, such as the elevator, robotic arm, communications product, and LED packaging and sealing machine industries, and adopt a bundling sales strategy with integrated product sets, wherever possible, for existing customer groups to increase sales volume. We will be both on the offensive and the defensive in our quest to continually promote new products and develop new markets to maintain our competitive advantage, and to generate greater profit. We expect we will achieve the target of business expansion in the coming year, despite the sluggish market conditions.

In 2015 divergence of the monetary policies of the various nations is expected to continue. This will bring influence of varying degrees to the global economy. China has lowered its Deposit Reserve Rate at the beginning of 2015 to ease credit terms, and has also slightly decreased the interest rate, and it is expected that the Chinese Government will use interest rate adjustments to stimulate real economic growth. However, it is expected that China's GDP growth will continue to slow. Therefore, 2015 will still be a challenging and difficult year. Although we are faced with adverse economic conditions, this Group plans to overcome these challenges and difficulties with an aggressive, practical, and cautious attitude, to continue to reinforce our core business, to seize opportunities to develop new markets, and to restructure our resources to maintain financial health and stability. The management looks at the prospects of the various business segments with confidence, and anticipates good performance in the coming year.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2014, the Group's shareholders' funds were approximately HK$1,442,800,000 compared with approximately HK$1,485,108,000 as at 31st December, 2013.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 31st December, 2014 was approximately 0.46 (2013: 0.45), and the liquidity ratio was approximately 1.57 (2013: 1.60), both were maintained at a healthy level. As at 31st December, 2014, cash, bank balances and time deposits amounted to approximately HK$352,876,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31st December, 2014 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors and two Executive Directors. It has adopted terms of reference in compliance with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the Four Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2014, the Group has approximately 4,566 employees (2013: approximately 5,100), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results and comparable market statistics.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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

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

CORPORATE GOVERNANCE

The directors consider that the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2014 except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2014 annual general meeting of the Company. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2014, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cosmel.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2014 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to shareholders of the Company in mid April 2015.

On behalf of the Board
TANG To
Chairman

Hong Kong, 30th March, 2015

As at the date hereof, the board of directors of the Company is comprised of nine directors, of which three are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming and Mr. Tang Yu, Freeman, and two are non-executive directors, namely Mr. Kan Wai Wah and Mr. Qu Jinping and four are independent non-executive directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei.