KB KINGBOARD COPPER FOIL HOLDINGS LIMITED



2014
ANNUAL REPORT

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CORPORATE INFORMATION

Board of Directors
Lam Ka Po *(Chairman)*
Cheung Kwok Ping
Ho Yin Sang
Ong Tiong Wee
Chim Hou Yan

Company Secretaries
Juliana Loh Joo Hui
ACIS
Codan Services Limited (Assistant Secretary)

Audit Committee
Ong Tiong Wee *(Chairman)*
Chim Hou Yan
Ho Yin Sang

Nominating Committee
Chim Hou Yan *(Chairman)*
Ong Tiong Wee
Ho Yin Sang

Remuneration Committee
Chim Hou Yan *(Chairman)*
Ong Tiong Wee
Ho Yin Sang

Auditors
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way OUE Downtown 2
#33-00 Singapore 068809

Audit partner in charge:
Toh Yew Kuan Jeremy
Appointed from the financial year ended
December 31, 2012

Solicitors
Bermuda
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central, Hong Kong

Singapore
Stamford Law Corporation
10 Collyer Quay #27-00
Ocean Financial Centre
Singapore 049315

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

Principal Bankers
Citibank N.A.
47th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited
10th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road, Central
Hong Kong

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel no: (441) 295 1422
Fax no: (441) 292 4720
Email: info@conyersdillandpearman.com

Head Office and Principal Place of Business
2nd Floor, Harbour View 1
No. 12 Science Park East Avenue
Phase 2, Hong Kong Science Park
Shatin
Hong Kong

Bermuda Registrar and Share Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Singapore Share Transfer Agent
Intertrust Singapore Corporate Services Pte Ltd
3 Anson Road #27-01
Springleaf Tower
Singapore 079909

FIVE YEAR FINANCIAL SUMMARY

RESULTS

(HK$'000)	Year Ended December 31, 2010	2011	2012	2013	**2014**
Revenue	4,274,035	2,745,252	490,039	468,782	**519,945**
Profit before taxation	243,844	80,924	15,406	17,432	**35,105**
Income tax expense	(26,260)	(17,522)	(17,997)	(9,120)	**(12,260)**
Profit (loss) for the year	217,584	63,402	(2,591)	8,312	**22,845**
Profit (loss) for the year attributable to:					
Owners of the Company	213,530	56,915	(10,372)	4,289	**18,666**
Non-controlling interests	4,054	6,487	7,781	4,023	**4,179**
	217,584	63,402	(2,591)	8,312	**22,845**
Earnings (loss) per share (HK cents)	29.55	7.88	(1.44)	0.59	**2.58**

ASSETS AND LIABILITIES

(HK$'000)	Year Ended December 31, 2010	2011	2012	2013	**2014**
Total assets	3,041,658	2,905,769	2,889,820	2,950,234	**2,983,803**
Total liabilities	(387,115)	(95,552)	(86,726)	(71,562)	**(95,818)**
Net assets	2,654,543	2,810,217	2,803,094	2,878,672	**2,887,985**
Equity attributable to owners of the Company	2,625,086	2,774,507	2,770,553	2,845,132	**2,856,626**
Non-controlling interests	29,457	35,710	32,541	33,540	**31,359**
Total equity	2,654,543	2,810,217	2,803,094	2,878,672	**2,887,985**

RESULTS

On behalf of the Board of Directors, it is my pleasure to present the financial results of Kingboard Copper Foil Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended December 31, 2014 ("FY 2014"). Revenue for the current year comprised (i) the receipt of the license fee of HK$120 million pursuant to the on-going licensing arrangement which was renewed for a term of two years on 1 September 2013 and (ii) the sale of polyvinyl butyral ("PVB") resin for HK$400 million, a basic raw material for the production of PVB film which is used to produce reinforced glass for both automotive industry and buildings. The Group's turnover for FY 2014 increased 11% to HK$520 million against 2013 ("FY 2013") and net profit attributable to owners of the Company for FY 2014 was HK$18.7 million. The gross profit margin increased to 13.9% in FY2014 from 11.9% in FY 2013 as a result of lower depreciation expense during the year.

BUSINESS REVIEW

Distribution costs in FY 2014 marginally increased 0.3% against that in FY 2013 to approximately HK$11 million. Finance costs in FY 2014 was approximately HK$0.6 million as a bank borrowing was raised by a PVB plant in the People's Republic of China ("PRC") in the current year.

FINANCIAL POSITION

Our financial position continues to be sound. As at December 31, 2014, net current assets and current ratio were approximately HK$1,386 million and 15.5 respectively. Current assets mainly comprised cash and bank balances of HK$1,330 million, trade and other receivables and prepayments of HK$81 million, bills receivables of HK$35 million and inventories of HK$35 million. At the end of FY 2014, the Company's interest in Linkfit Investment Holdings Limited ("Linkfit"), a private company incorporated in Samoa, was 29.67%. The unquoted equity shares were stated at cost as adjusted for post-acquisition changes in the Group's share of the net asset of Linkfit at the end of the reporting period.

PROSPECTS

Licensing Arrangement

At the Annual General Meeting of the Company held on April 29, 2011, the shareholders of the Company did not approve the renewal of the mandate ("Shareholders' Mandate") to enable the Group to enter into interested person transactions with Kingboard Chemical Holdings Limited ("Kingboard Chemical") and its associates (together, the "Interested Persons"). As an interim measure, the Company entered into a two-year licensing arrangement to license the properties, inventory and machinery that were previously used for the production of copper foil with effect from 1 September 2011 to Harvest Resource Management Limited, an independent third party, in order to ensure that a steady stream of license fee is received by the Group. The licensing arrangement is renewed for the term of two years to end of August 2015. The Group will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

PVB Business

As mentioned previously, PVB is a key raw material for PVB film which is used in reinforced glass for both automotive industry and buildings. As the Chinese government continues to encourage domestic consumption and improve living standard for Chinese citizens, we believe that the demand for automotive and building construction will continue to be robust and this would in turn drive up demand for PVB products. The Group will focus on upgrading our production capabilities and product mix to meet customer demands in order to further advance market share in the domestic China market.

Litigation in Bermuda

On 3 August 2011, a petition was filed in the Supreme Court of Bermuda (the "Petition") by Annuity & Re Life Limited naming the Company and a number of its shareholders. The Petition concerns a shareholder dispute and the Company is a neutral party, however the Petition makes a number of allegations concerning the Company and its management. The Company is of the view that the allegations are baseless and the Petition itself is without merit. The trial has been fixed to be heard in May 2015. The Company will make further announcements as and when necessary to keep shareholders informed of material developments in this matter.

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks, the management and employees for their unreserved support in the past financial year.

Lam Ka Po
Chairman

Hong Kong, February 25, 2015

DIRECTORS

Mr. LAM Ka Po, aged 58, is an Executive Director and Chairman of the Company and its subsidiaries ("KBCF Group"). Mr. Lam was the co-founder of the "Kingboard Group" – Kingboard Chemical Holdings Limited ("KCHL") and he has over 34 years' experience in the sales and distribution of laminates. He is also a director of Kingboard Laminates Holdings Limited ("KLHL"), being the intermediate holding company of the Company and listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. CHEUNG Kwok Ping, aged 54, is an Executive Director of the Company. He has had over 31 years' experience in the field of marketing. He is a director of KLHL.

Mr. HO Yin Sang, aged 60, is a Non-Executive Director of the Company. He joined the Kingboard Group in 1989. He is also a director of Kingboard Group and has had over 25 years' experience in copper foil production. Mr. Ho joined as a member of the Audit Committee, Nominating Committee and Remuneration Committee on February 27, 2007 and provides advice in these committees.

Mr. ONG Tiong Wee, aged 74, was appointed to the Board of the Company on November 16, 2001 as an Independent Non-Executive Director. He graduated with a Bachelor of Commerce from the University of New South Wales, Australia, and is a member of the Institute of Chartered Accountants in Australia and a Fellow member of the Institute of Singapore Chartered Accountants. Mr. Ong was running his own public accounting firm in Singapore from 1983 to 2011. Prior to that, he had 12 years' experience with 2 of the top 4 international auditing firms and 5 years' accounting and finance experience with a multinational company in Australia. In September 2011, Mr. Ong discontinued his auditing practice to specialise in business advisory service in Singapore.

Mr. CHIM Hou Yan, aged 72, was appointed to the Board of the Company on February 23, 2009 as an Independent Non-Executive Director. Mr. Chim graduated from the University of Singapore with a Bachelor of Laws (Honours) degree in 1967. He has been in legal practice since 1968, acted as a litigator in the earlier years and later handled arbitration work as an arbitrator and counsel. He is a Fellow of the Chartered Institute of Arbitrators (UK) and Fellow of the Singapore Institute of Arbitrators. Lately he has been giving advice as a consultant in civil and commercial matters. Currently he is the Managing Director of Hilborne Law LLC. He was a director of Hind Hotel Limited and director and member of audit committee of Pan Pacific Public Co. Limited. Among the several accolades he had received for public services since 1991, he was awarded The Public Service Star (BBM) by the President of Singapore in 2003 and appointed Justice of the Peace. On 16 April 2014, he was admitted as Fellow of the Singapore Institute of Directors.

SENIOR MANAGEMENT

Mr. LAM Kam Cheung, aged 40, the financial controller, joined the Kingboard Group in September, 2006. Prior to that, he had over 10 years' experience in accounting and auditing field. He holds a Bachelor of Art (Honours) in Accountancy from The Hong Kong Polytechnic University. He is in charge of the financial management of the KBCF Group.

The Directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014.

1 DIRECTORS

The Directors of the Company in office during the year and up to the date of this report are:

Mr. Lam Ka Po
Mr. Cheung Kwok Ping
Mr. Ho Yin Sang
Mr. Ong Tiong Wee
Mr. Chim Hou Yan

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options and warrants mentioned in paragraph 3 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at end of financial year had no interest in the share capital and debentures of the Company and related corporations except as follows:

Name of Directors and company in which interests are held	Shareholdings registered in the name of Director		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company				
Ordinary shares of US$0.10 each				
Mr. Ho Yin Sang	–	–	2,000	2,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Name of Directors and company in which interests are held	Shareholdings registered in the name of Director		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The ultimate holding company				
– Kingboard Chemical Holdings Limited				
Ordinary shares of HK$0.10 each				
Mr. Cheung Kwok Ping	3,346,383	3,620,383	36,000	36,000
Mr. Ho Yin Sang	1,679,674	1,679,674	1,441,000	1,441,000
Mr. Lam Ka Po	2,917,360	2,917,360	–	–
Options to acquire ordinary shares of HK$0.10 each				
Mr. Ho Yin Sang	3,120,000	3,120,000	2,928,000	2,928,000
The intermediate holding company				
– Kingboard Laminates Holdings Limited				
Ordinary shares of HK$0.10 each				
Mr. Ho Yin Sang	–	–	540,000	540,000
Options to acquire ordinary shares of HK$0.10 each				
Mr. Cheung Kwok Ping	10,000,000	10,000,000	–	–
Mr. Ho Yin Sang	–	–	9,000,000	9,000,000
Mr. Lam Ka Po	10,000,000	10,000,000	–	–
A fellow subsidiary				
– Elec & Eltek International Company Limited				
Ordinary shares				
Mr. Cheung Kwok Ping	500,000	520,000	–	–
Mr. Ho Yin Sang	486,600	486,600	–	–
Mr. Lam Ka Po	486,600	486,600	–	–

The Directors' interests as at January 21, 2015 were the same as those as at December 31, 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors have received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

5 SHARES OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued share under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

6 AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs Ong Tiong Wee, Ho Yin Sang and Chim Hou Yan. The Audit Committee is chaired by Mr. Ong Tiong Wee. Mr. Ho Yin Sang is a Non-Executive Director and Messrs Ong Tiong Wee and Chim Hou Yan are Independent Non-Executive Directors of the Company.

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the three quarterly, and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external auditors;

6 AUDIT COMMITTEE (continued)

f) the re-appointment of the external auditors of the Group; and

g) all interested person transactions entered into by the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Lam Ka Po
Chairman

Cheung Kwok Ping
Director

Date: February 25, 2015

STATEMENT OF DIRECTORS

In the opinion of the Directors of the Company, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 28 to 80 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE BOARD

Lam Ka Po
Chairman

Cheung Kwok Ping
Director

Date: February 25, 2015

CORPORATE GOVERNANCE REPORT

The Board of Directors of Kingboard Copper Foil Holdings Limited ("the Company") supports the Code of Corporate Governance ("the Code") as recommended by the Singapore Corporate Governance Committee. The Company has in place various self-regulatory and monitoring mechanisms which are continuously refined for effective corporate governance. This report describes the Company's corporate governance processes and practices with specific reference to the principles of the Code.

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The primary role of the Board is to protect and enhance the long-terms' shareholders' value. It sets the overall strategy for the Company and its group of companies ("the Group") and supervises the management of the business and the affairs of the Group, and is responsible for the overall corporate governance of the Group.

The principal functions of the Board are to:

- Guide the corporate strategy and direction of the Group, which the Board shall review the plan in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business and business practices in the industry.
- The Board shall review and approve the Company's annual business, capital plans such as investments and divestments as well as policies and processes generated by Management.
- Oversee the business and affairs of the Group, establish with Management, the strategies and financial objectives to be implemented by Management, and monitor the performance of Management.
- The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board should, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.
- Implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.
- Approve the nomination and remuneration of board members.
- Assume responsibility for good corporate governance.
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

In the execution of its responsibilities, the Board delegates specific authority to a number of Board Committees, namely; the Audit Committee, the Nominating Committee and the Remuneration Committee, which function within given terms of references that are reviewed at regular intervals.

The Board conducts regular scheduled meetings to deliberate on specific issues including material transactions, the annual budget and performance of the Company and the Group, approve the release of quarterly (Q1, Q2 and Q3) and full year results, and dividend payments. When circumstances require, ad-hoc meetings would be convened to deliberate on specific issues. The Executive Directors normally meet with key Management on an informal basis regularly to review management performance and discuss financial and operational matters. The Bye-Laws of the Company provide for telephone and video-conference meetings.

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS (continued)

The Directors' attendance at meetings of the Board and Board Committee during the period reported on are as follows:

Name of Director	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee	
	No. held	Attd	No. held	Attd	No. held	Attd	No. held	Attd
Lam Ka Po	4	4	–	–	–	–	–	–
Cheung Kwok Ping	4	4	–	–	–	–	–	–
Ho Yin Sang	4	4	4	4	1	1	1	1
Ong Tiong Wee	4	4	4	4	1	1	1	1
Chim Hou Yan	4	4	4	4	1	1	1	1

Material Transactions requiring Board Approval

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of Group's first three quarters (Q1, Q2 and Q3) and full-year results, annual report, interested person transactions of a material nature, and declaration of payment of interim and final dividends.

During the year, the Board has met to review and approve amongst other matters, the approval of the first three quarters (Q1, Q2 and Q3) and full-year results announcements prior to their release to the Singapore Exchange Securities Trading Limited ("SGX-ST") and where applicable, Group's corporate strategies, major investments, acceptances of banking facilities, corporate guarantees, review of the Group's financial performance, the approval of Directors' Report and Statement by the Directors etc.

Training of Directors

Newly appointed director would be given appropriate induction training and coaching, and materials on director's duties and obligations with specific reference to the SGX-ST Listing Manual ("Listing Manual") and the Securities and Futures Act, Cap 289. A summary of the guideline on SGX-ST requirements and copies of current and past year's annual reports and circular of the Company, and other relevant materials and information would also be made available to him. This forms part of the orientation program to familiarize the newly appointed director with the organization structure of the Company and its Group, its operation, business, industry, and its corporate governance practices.

Generally, the directors with their profound commercial experience and relevant academic qualifications have constantly kept themselves abreast with the relevant new laws, regulations and changing commercial risks. With prior approval from the Chairman, directors' participation at industry conferences and seminars could also be arranged.

PRINCIPLE 2: THE BOARD COMPOSITION AND GUIDANCE

The Board comprises five(5) Directors; of whom two(2) are Executive Directors, one(1) Non-Executive Director and two(2) Independent Directors.

The nature of the Directors' appointments on the Board, and details of their memberships in the Board Committees are set out below:

Name of Directors	Position	Appointment Date	Last Re-election Date	Board Committee Membership		
				Audit	Remuneration	Nominating
Lam Ka Po	Executive Chairman	09.01.2007	–	–	–	–
Cheung Kwok Ping	Executive Director	25.01.2002	29.04.2013	–	–	–
Ho Yin Sang	Non-Executive Director	14.09.1999	25.04.2014	Member	Member	Member
Ong Tiong Wee	Non-Executive Independent Director	16.11.2001	25.04.2014	Chairman	Member	Member
Chim Hou Yan	Non-Executive Independent Director	23.02.2009	29.04.2013	Member	Chairman	Chairman

The members of the Board with their combined business, management and professional experience, knowledge and expertise provide the core competencies, sales and marketing experience in copper foil, technical knowledge in manufacturing of PVB, administration and management experience in PRC factories, accounting and financial expertise as well as in-house advice to comply with international laws and regulations which allow for diverse and objective perspectives on the Company's business.

In determining whether a Director is independent, the Nominating Committee ("NC") has adopted the guidelines of the Code, in that he would be one with no relationship with the Company, its related companies, or its officers that could interfere, or reasonably perceived to interfere with the exercise of the director's independent business judgment with a view to the best interests of the Company. The two (2) Independent Directors also provided annual declarations regarding their independence for purposes of determining their independence.

In addition, with regard to Guideline 2.4 of the Code which requires that the independence of any director who has served on the Board beyond nine years from the date of his first appointment, to be subject to particularly rigorous review by the NC and the NC deemed that Mr Ong is independent notwithstanding that he has served on the Board beyond nine years based on the following basis:

(i) has continued to demonstrate and maintaining his objectivity and independence at all times in carrying out his duties and responsibilities as an Independent Director as he is not associated with any of the Company's shareholders or substantial shareholders nor is he holding any share in the Company or any of its subsidiaries;

(ii) objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisors;

(iii) familiarity with the business and Management is a valuable characteristics which the Company seeks to retain in their Directors as it aids in the Board continuity and stability;

(iv) to avoid an abrupt loss of member who has extensive experience and offers invaluable advices/judgment; and

(v) able to steer the Management in the right direction based on the institutional memory of the Company which it has benefitted.

The Board concurred and also takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis on the length of time.

PRINCIPLE 2: THE BOARD COMPOSITION AND GUIDANCE (continued)

In view thereof, and having reviewed the independence declaration of both Mr. Ong Tiong Wee and Mr. Chim Hou Yan, the NC confirmed that they are independent, and the Board concurred likewise.

Having regard to the nature and scope of the operations of the Company, the Board views its current size of five(5) Directors; two(2) Executive and three(3) Non-Executive with two(2) Independent Directors making up to more than one-third, is appropriate for effective decision-making.

The Independent Directors also communicate regularly to review the Group's performance and discuss on any new business proposal and strategy.

Details of the Directors' qualifications, business experience and other appointments are found at Board of Directors section of the Annual Report.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board is headed by the Executive Chairman, Mr. Lam Ka Po.

Mr Lam bears executive responsibility for the Company's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

Mr. Cheung Kwok Ping is the Executive Director ("ED") of the Company. Together with the Chairman, Mr. Cheung is responsible for the overall strategic planning, and the day-to-day management of the Group. Both the Chairman and Mr. Cheung are assisted by the Chief Financial Officer ("CFO") to oversee the daily running of the Company's operations and execution of strategies and policies.

The duties of the Chairman include, but not limited to, the following:

- schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- prepare meeting agenda in consultation with other Directors;
- exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- assist in ensuring compliance with the Company's guidelines on corporate governance.

Mr. Ong Tiong Wee is the Lead Independent Director of the Company and he shall be available to shareholders if they have concerns which communication through the normal channels of the Chairman and CFO has failed to resolve or for which such contact is inappropriate.

PRINCIPLE 4: BOARD MEMBERSHIP

PRINCIPLE 5: BOARD PERFORMANCE

The Nominating Committee ("NC") comprises three (3) Non-Executive Directors. They are Mr. Chim Hou Yan (Chairman), Mr. Ong Tiong Wee, and Mr. Ho Yin Sang. Both Mr. Chim and Mr. Ong are Independent Directors.

The NC met once during the period reported on and all of the members attended the meeting.

The major terms of reference of the NC include:

- review of the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- review and determine on whether or not a Director is independent, in accordance with paragraph 2.3 and 2.4 of the Code of Corporate Governance and other salient factors;
- identify and nominate candidates to fill board vacancies as and when they arise for Board's approval;
- review the leadership needs of the organization to ensure continued ability to compete effectively in the organization's marketplace;
- keep updated with strategic issues and commercial changes affecting the Company and the market in which it operates;
- decide on how the Board's performance may be evaluated and propose objective performance criteria;
- assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;
- deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments;
- review the training and professional development programs for the Board; and
- review and recommend for re-appointment of the retiring Director having regard to his contribution and performance, including, if applicable, as an Independent Director.

The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions as well as by taking into account each Director's listed company board directorships, and any other relevant time commitments. At present, the maximum number of directorships which a Director can hold in listed companies is capped at nine (9). When a Director has multiple board representations he will have to ensure that sufficient time and attention is given to the affairs of each company. The NC is of the opinion that the multiple Board representations held by the Directors of the Company do not hinder them in carrying out their duties to the Company.

Pursuant to the Bye-Laws of the Company, the Board has power at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. As part of the selection and nomination process for the appointment of a new Director, the NC would source for a list of suitable candidates and after reviewing their qualifications and experience, made recommendation to the Board for the appointment.

PRINCIPLE 5: BOARD PERFORMANCE (continued)

Any new Director appointed during the year shall hold office only until the next annual general meeting ("AGM") and can submit himself for re-election but he shall not be taken into account in determining the Director who is to retire by rotation at the meeting.

All the Directors, except the Chairman, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. At the Company's AGM, a Director appointed during the year and at least one-third of the remaining Directors shall retire from office.

Review of the Board's performance and individual Director would be undertaken informally on a continual basis by the NC with inputs from the other Board members and Chairman. In assessing the effectiveness of the Board as a whole, the NC has set certain performance criteria which includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, and the discharge of its principal responsibilities in terms of the financial indicators as set out in the Code. Individual Director is assessed on whether he could continue to contribute effectively and demonstrate to the role, including commitment of time for Board and committee meetings, and any other duties.

At the forthcoming AGM, Mr. Cheung Kwok Ping and Mr. Chim Hou Yan will retire under Bye-Law 86(1). Being eligible, they have offered themselves for re-election. The NC has recommended their re-appointment after having reviewed and taken into account their contribution to the ongoing effectiveness of the Board, the ability to exercise sound business judgement, leadership experience, high levels of professional skills and appropriate personal qualities. The Board concurred with the NC and recommended that both Mr. Cheung Kwok Ping and Mr. Chim Hou Yan be re-elected Directors of the Company at the forthcoming AGM.

PRINCIPLE 6: ACCESS TO INFORMATION

The Management of the Company has been furnishing the Board with complete and adequate information in a timely manner. The Board is also given separate and independent access to the Company's senior Management. Notice of board meetings and the relevant meeting papers are sent to individual Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board.

All the Directors are given separate and independent access to the Company Secretary, whose role includes ensuring that board procedures are observed and followed through and that applicable rules and regulations are complied with.

Effective formal and informal communication channels are in place between the Board and the Management which enable Directors, newly appointed or otherwise, to familiarize themselves with the on-going operation, business and corporate governance practices of the Company. In addition, the Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice or formal training programme, if necessary, at the Company's expense.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8: LEVEL AND MIX REMUNERATION

The Remuneration Committee ("RC") presently comprises three (3) Non-Executive Directors. They are Mr. Chim Hou Yan (Chairman), Mr. Ong Tiong Wee, and Mr. Ho Yin Sang. Both Mr. Chim and Mr. Ong are Independent Directors.

The principal responsibilities of the RC are:

- to review and recommend to the Board in consultation with Management and the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages for each director, Chief Executive Officer (CEO) (or executive of equivalent rank) if the CEO is not a director and key management personnel. The recommendation should be submitted for endorsement by the entire Board;

- to review the remuneration of senior management/employees who report directly to the Chairman and those employees related to the directors, CEO and controlling shareholders of the Group;

- to recommend to the Board in consultation with Management and the Chairman of the Board, the Company's Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith;

- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- to determine the policy for and scope of service agreements for executive management team, termination payments and compensation commitments, including fixing appointment period for the directors;

- to determine the remuneration of non-executive directors which should be appropriate to the level of contribution, taking into account factors such as effort, time spent and the responsibilities;

- to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time; and

- to produce an annual remuneration report which covers the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, the remuneration of directors, the CEO and at least the top five key management personnel who are not also directors or the CEO of the Company to the Board for disclosure in the Company's Annual Report and Accounts.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Directors' Remuneration for the financial year ended December 31, 2014 (in percentage terms) is as follows:

Name of Director	Directors' Fees (%)	Salary (%)	Bonuses (%)	Total (%)	Total S$
Lam Ka Po	–	–	–	–	–
Cheung Kwok Ping	–	–	–	–	–
Ho Yin Sang	–	–	–	–	–
Ong Tiong Wee	100	–	–	100	35,000
Chim Hou Yan	100	–	–	100	35,000

Key executives	Salary %	Bonus %	Total %	Remuneration Band
Lam Kam Cheung	–	–	–	–

The RC met once during the period reported on to review and recommend fee for the Directors.

The Executive and Non-Executive Directors are not paid any remuneration by the Company. The Independent Non-Executive Directors are paid only a fixed Director's fee, which sum was determined based on the level of contribution, taking into account their efforts and time rendered, responsibilities of the Directors, the performance of the Company and the industrial practice in general. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The Company will then submit the quantum of Directors' fees of each year to the shareholders for approval at each AGM.

In structuring a compensation framework for key executives, the RC seeks to link a significant and appropriate proportion of executive compensation to the individual and the Group's performance. The RC also takes into account the risk policies of the Group, the need for compensation to be symmetric with risk outcomes and the time horizon of risks.

The Code requires the remuneration of at least top 5 key executives who are not also directors to be disclosed within the remuneration bands of S$250,000 each or to provide a breakdown of each individual's remuneration. As the Company has only one key executive and for purposes of maintaining confidentiality of staff remuneration matter, remuneration of this executive would not be disclosed as it is not in the best interest of the Company to do so given the highly competitive industry conditions.

During the year, none of the Directors had immediate family members not disclosed above who were or are employees of the Company and whose personal annual remuneration exceeded or exceeds S$50,000.

The RC has access to expert advice inside and/or outside the Company, in the field of executive compensation. However, given the level of remuneration as mentioned in the table above, the RC did not seek any advice from external remuneration consultants on the remuneration.

The Company does not have any employee share option schemes.

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to the shareholders while the Management is accountable to the Board. From year 2003 onwards, the Board provides shareholders with quarterly (Q1, Q2 and Q3) and full-year results announcement, this together with the interim and other price sensitive public reports, and reports to regulators (if required) provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects.

On a regular basis and as circumstances required, Management would provide members of the Board with management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") comprises three(3) Non-Executive Directors, namely, Mr. Ong Tiong Wee (Chairman), Mr. Chim Hou Yan and Mr. Ho Yin Sang. Both Mr. Ong Tiong Wee and Mr. Chim Hou Yan are Independent Non-Executive Directors.

The Board has ensured that the members of the AC are appropriately qualified to discharge their responsibilities and that at least two members have accounting and related financial management expertise or experience.

The Board considers that Mr. Ong as a practicing accounting person, has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The AC reviews and assesses the adequacy and effectiveness of Company's system of internal controls and regulatory compliance through discussions with management, the Head of Internal Audit and the external auditor at these quarterly AC meetings.

The major terms of reference of the AC include the following:

- review with the external auditors, the audit plan, including the nature and scope of the audit before the audit commences;
- review with the external auditors, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Management's response;
- review the scope and results of the internal audit procedures;
- review the assistance given by the Management to the external auditors;
- review the statement of financial position and income statement of the Company and the consolidated statement of financial position and income statement and submit them to the Board;
- nominate person(s) for appointment as auditors or recommend the re-appointment of auditors;
- review with the internal and external auditors their findings on their evaluation of the Company's system of internal controls for the purpose of assisting the Board in developing policies that would enhance the controls and operating systems of the Company;
- review the interested person transactions, mandated or otherwise, as part of the standard procedures while examining the adequacy of internal controls of the Group; and

PRINCIPLE 11: AUDIT COMMITTEE (continued)

- review the independence of the external auditors, the resources and adequacy of the internal audit function, at least once a year.

In addition, the AC is authorized:

- to investigate any matter within its terms of reference;
- to have full access to and co-operation by the Management;
- to have full discretion to invite any Director or executive officer to attend its meetings;
- to have reasonable resources to enable it to discharge its functions properly; and
- to have access to the internal auditors and external auditors at any time, as and when they think necessary, without referring to the Company's Management.

The 'whistle-blowing' framework was put in place, where all the employees of the Company may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters to the AC Chairman.

The duties of the AC also include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.

Having reviewed all the non-audited services provided by the auditors of the Company for the financial year ended December 31, 2014 and the corresponding fees, the AC concluded that in their opinion, such services did not affect the independence of the auditors.

For details of the fees paid and/or payable to Deloitte & Touche LLP in respect of audit and non-audit services for FY 2014, please refer to the Financial Statements on page 75.

Deloitte & Touche LLP has confirmed that they are registered with the Accounting and Corporate Regulatory Authority and are thus in compliance with Rule 712(2) of the Listing Manual.

In reviewing the nomination of Deloitte & Touche LLP for re-appointment for the financial year ending 31 December 2015, the AC has considered the adequacy of the resources, experience and competency as well as the audit team's ability to work in a co-operative manner with Management.

Based on the above review, the AC has recommended to the Board, the re-appointment of Deloitte & Touche LLP as external auditors of the Company at the 2015 AGM.

During the year, the AC has met with the external auditors, to discuss issues of their concerns without the presence of the Management.

In appointing auditing firm for the Group, the Company complies with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges its responsibility to provide for the overall internal control framework of the Group, but recognizes that no cost effective internal control system will preclude all errors and irregularities. As system could only be designed to manage rather than eliminate the risk of failure to achieve business objectives, it can therefore provide only reasonable and not absolute assurance against material misstatement or loss.

Nonetheless, to safeguard the shareholders' investments and the Company's assets, the Group has in place a system of internal controls and the key elements of which are as follows:

- formal policies and procedures are in place, including the documentation of key processes, procedures and rules relating to the delegation of authorities. These allow the monitoring of controls and restrict the unauthorized use of assets;

- experienced and suitably qualified staff shall assume responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance; and

- business and financial reports as well as other information provided should be relevant, timely, reliable and up-to-date and budget variances are investigated as and when appropriate.

The Board has received assurance from the Company's ED and the CFO that

(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(ii) the Company risk management and internal control systems in place are effective.

The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assurance of the AC, the present internal controls, including financial, operational and compliance controls, and risk management systems are satisfactory for the nature and size of the Group's operations and business.

PRINCIPLE 13: INTERNAL AUDIT

The internal audit is an independent function within the Company. It is performed in-house by an internal audit department from the parent company with appropriate qualification and according to standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC ensures that the internal audit function has the appropriate standing within the Company. The internal auditor reports to the AC on audit matters, and to the Executive Directors on administrative matters.

The internal auditor assists the AC to ensure that the Company maintains a sound system of internal controls by regular monitoring the key controls and procedures and ensuring their effectiveness, and undertaking investigations as directed by the AC.

Based on the internal audits reports and the various controls implemented by the Management, the Board and the AC is satisfied that there are adequate internal controls systems in place by the Group in addressing its financial, operational and compliance risks.

PRINCIPLE 14 & 15: COMMUNICATION WITH SHAREHOLDERS

The Company releases and communicates regular information including all major developments that impact the Company and the Group to the shareholders on a timely basis.

The Group's dedicated Investor Relations ("IR") team is tasked with facilitating communications between the Company and its Shareholders, as well as with the investment community, through timely disclosures of material and other pertinent information, via forums such as regular dialogues and announcements to SGX-ST. Public awareness on the Company's latest developments and businesses is also maintained through the Company's website, http://www.kbcopperfoil.com with contact details for investors to channel their comments and queries.

Communication to shareholders takes the following forms:

- quarter (Q1, Q2 and Q3) and full-year results announcements which contain a summary of the financial information and affairs of the Company and the Group for the period;
- annual reports issued to shareholders containing the relevant information about the Group, its future developments and other disclosures required by the relevant accounting standards and governing authorities;
- notices of annual general meetings together with explanatory statement for any special business to be transacted thereat;
- notices of special general meetings and/or shareholders' briefing, and where applicable, together with Circular/materials to shareholders containing the relevant information for their decision making;
- press and analyst briefings for the Company's and the Group's interim and annual results as well as other briefings, where appropriate;
- press releases on major developments of the Company and the Group; and
- other various disclosures and announcements to the SGX-ST in compliance to its Listing Manual which include major corporate actions, notices of changes of directors/substantial shareholders interest and changes to the board/committee, etc.

In addition, shareholders are encouraged to attend the annual general meeting to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The annual general meeting is the principal forum for dialogue with shareholders.

The notice of general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. Shareholders are welcomed to attend the general meeting and raise question on issues either informally or formally before or at the general meeting. The Chairman of the Audit, Remuneration and Nominating Committees or their representatives are available at the meeting to answer those questions relating to the work of these committees. The external auditors are also available to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

In support of greater transparency, the shareholders have the opportunity to participate effectively in and, voting at general meetings of the Company which have been conducted by poll since its 2013 AGM and would continue to do so in respect of all resolutions to be proposed at the coming AGM. An announcement of the detailed results of the poll showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNet after the general meeting.

The Bye-Laws of the Company currently allows a shareholder of the Company to appoint one or two proxies to attend and vote in the place of the shareholder.

PRINCIPLE 14 & 15: COMMUNICATION WITH SHAREHOLDERS (continued)

To allow greater participation from the shareholders, the Company has, and is actively looking into getting the Bye-Laws revised where necessary to allow its shareholders holding shares through the Depository to attend its AGM without the need to deposit the proxy forms 48 hours before the AGM.

The Company also hopes to seek the following mandate from its Shareholders in FY2015:

(i) To purchase ordinary shares of the Company not exceeding in aggregate 10% of the issued and paid-up capital of the Company, at such price as may be determined by the Directors of the Company from time to time, up to a maximum price.

The mandate, if approved by Shareholders at a Special General Meeting, will be enforced until the conclusion of the next Annual General Meeting.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Dividend Policy

No dividend is declared for the financial year ended 31 December 2014 as the Company aims to pay a dividend which is in line with what was mentioned in the Prospectus of the Company dated 6 December 1999, in that, the Directors intend to pursue a dividend policy commensurate with the KBCF Group's earnings, its financial position and future plans.

CORPORATE DISCLOSURE

The Board reckoned that high level of disclosure is essential to enhance the standard of corporate governance. To this end, the Company constantly reviews its corporate disclosure issues and announcements made to the SGX-ST so as to adopt good corporate governance and best practices in terms of transparency to shareholders and the investing community.

DEALINGS IN SECURITIES

The Company has devised and adopted its internal compliance code of best practices giving guidance on dealing by the Company and its officers in its securities (the "BP Code").

Under the BP Code, the Directors and officers including all levels of staff in the finance/accounts department are required to notify the Company of their dealings within two business days while officers (other than directors), four days. Disclosures by the Directors are followed with release of announcement via SGXNet platform immediately. In addition, a summary on dealing by Directors for each quarter would be prepared and tabled at the meeting of the Board.

Officers are reminded not to deal in the Company's securities on short-term consideration, or while in possession of price-sensitive information, and during the period commencing one month before the announcement of the full year results and two weeks before releasing of the Company's quarterly (Q1, Q2 & Q3) results, unless under exceptional circumstances when it is the only reasonable course of action available.

The officers are cautioned to be mindful of the law on insider trading, dealing by connected persons, and to ensure that their dealings would not contravene the law. The BP Code has highlighted that under the Securities and Futures Act, Cap. 289 it is an offence and penalties are severe, to deal in the Company's securities as well as securities of other listed companies while in possession of unpublished material price-sensitive information in relation to those securities.

MATERIAL CONTRACTS WITH INTERESTED PERSONS

There are no material contracts which are not in the ordinary course of business that have been entered into by the Company and any related companies involving the interests of, where applicable, the chief executive officers, each Director or controlling shareholder, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPT")

Though approval for the renewal of the shareholders' mandate for the said IPT was not obtained at the annual general meeting on April 23, 2011, the Company has and is actively considering the appropriate actions that need to be taken to address the IPT mandate and will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

During FY2014, there were no IPT required to be disclosed pursuant to Rule 921(1)(a)(ii) of the Listing Manual. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGBOARD COPPER FOIL HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kingboard Copper Foil Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at December 31, 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 80.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP
Public Accountants and
Chartered Public Accountants
Singapore

Date: February 25, 2015

STATEMENTS OF FINANCIAL POSITION

At December 31, 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		HK$'000	HK$'000	**HK$'000**	HK$'000
ASSETS					
Current assets					
Cash and bank balances	6	**1,329,754**	1,120,268	**–**	–
Trade and other receivables and prepayments	7	**80,952**	95,094	**166**	585
Bills receivable	7	**35,328**	42,916	**–**	–
Prepaid land use rights	8	**1,101**	1,141	**–**	–
Inventories	9	**34,901**	33,205	**–**	–
Total current assets		**1,482,036**	1,292,624	**166**	585
Non-current assets					
Investments in subsidiaries	10	**–**	–	**393,775**	393,775
Investment in an associate	11	**61,933**	70,715	**20,874**	24,000
Due from a subsidiary	10	**–**	–	**873,932**	869,141
Investment property	12	**6,444**	6,465	**–**	–
Property, plant and equipment	13	**653,664**	796,982	**–**	–
Prepaid land use rights	8	**41,668**	42,913	**–**	–
Non-current deposits	14	**5,390**	5,408	**–**	–
Other non-current assets	15	**732,430**	734,889	**–**	–
Goodwill	16	**238**	238	**–**	–
Total non-current assets		**1,501,767**	1,657,610	**1,288,581**	1,286,916
Total assets		**2,983,803**	2,950,234	**1,288,747**	1,287,501
LIABILITIES AND EQUITY					
Current liabilities					
Due to a subsidiary	10	**–**	–	**2,721**	2,721
Bank borrowing	17	**6,338**	–	**–**	–
Bills payable	18	**4,908**	7,743	**–**	–
Trade and other payables	19	**78,662**	59,970	**2,776**	2,121
Income tax payable		**5,910**	3,849	**38**	38
Total current liabilities		**95,818**	71,562	**5,535**	4,880
Capital and reserves and non-controlling interests					
Share capital	21	**560,200**	560,200	**560,200**	560,200
Reserves		**2,296,426**	2,284,932	**723,012**	722,421
Equity attributable to owners of the Company		**2,856,626**	2,845,132	**1,283,212**	1,282,621
Non-controlling interests	10	**31,359**	33,540	**–**	–
Total equity		**2,887,985**	2,878,672	**1,283,212**	1,282,621
Total liabilities and equity		**2,983,803**	2,950,234	**1,288,747**	1,287,501

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2014

	Note	Group 2014 HK$'000	2013 HK$'000
Revenue	22	**519,945**	468,782
Cost of sales		**(447,689)**	(412,894)
Gross profit		**72,256**	55,888
Other operating income	23	**2,068**	3,026
Distribution costs		**(11,010)**	(10,976)
Administrative expenses		**(18,658)**	(18,065)
Other operating expenses		**(18)**	(45)
Finance cost		**(595)**	–
Share of losses of an associate	11	**(8,938)**	(12,396)
Profit before tax		**35,105**	17,432
Income tax expense	24	**(12,260)**	(9,120)
Profit for the year	25	**22,845**	8,312
Profit for the year attributable to:			
Owners of the Company		**18,666**	4,289
Non-controlling interests	10	**4,179**	4,023
		22,845	8,312
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	26	**2.58**	0.59

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2014

	Note	Group 2014 HK$'000	2013 HK$'000
Profit for the year		**22,845**	8,312
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to foreign operations		**(7,136)**	68,832
Share of other comprehensive (expense) income of an associate	11	**(156)**	1,406
Total comprehensive income for the year, net of tax		**15,553**	78,550
Total comprehensive income attributable to:			
Owners of the Company		**11,494**	73,567
Non-controlling interests	10	**4,059**	4,983
		15,553	78,550

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2014

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserves** HK$'000	**Foreign currency translation reserves** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Group								
Balance at January 1, 2013	560,200	296,573	6,275	472,152	1,435,353	2,770,553	32,541	2,803,094
Total comprehensive income for the year								
Profit for the year	–	–	–	–	4,289	4,289	4,023	8,312
Other comprehensive income for the year	–	–	–	69,278	–	69,278	960	70,238
Total	–	–	–	69,278	4,289	73,567	4,983	78,550
Transactions with owner, recognised directly in equity								
Acquisition of additional interests in a subsidiary (Note)	–	–	1,012	–	–	1,012	(3,984)	(2,972)
Balance at December 31, 2013	560,200	296,573	7,287	541,430	1,439,642	2,845,132	33,540	2,878,672
Total comprehensive income (expense) for the year								
Profit for the year	–	–	–	–	18,666	18,666	4,179	22,845
Other comprehensive expense for the year	–	–	–	(7,172)	–	(7,172)	(120)	(7,292)
Total	–	–	–	(7,172)	18,666	11,494	4,059	15,553
Transactions with owner, recognised directly in equity								
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	(6,240)	(6,240)
Balance at December 31, 2014	**560,200**	**296,573**	**7,287**	**534,258**	**1,458,308**	**2,856,626**	**31,359**	**2,887,985**

Note: During the year ended December 31, 2013, the Group acquired the additional interests in Jiangxi Hong Feng Plastics Company Limited ("Jiangxi Hong Feng") from non-controlling interests at cash consideration HK$2,972,000. As a result of the acquisition, the difference of HK$1,012,000 between the consideration paid of HK$2,972,000 and the amount of non-controlling interests adjusted of HK$3,984,000 was directly recognised in equity.

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2014

	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
Company					
Balance at January 1, 2013	560,200	296,573	6,275	419,154	1,282,202
Total comprehensive income for the year					
Profit for the year	–	–	–	419	419
Balance at December 31, 2013	560,200	296,573	6,275	419,573	1,282,621
Total comprehensive income for the year					
Profit for the year	–	–	–	591	591
Balance at December 31, 2014	**560,200**	**296,573**	**6,275**	**420,164**	**1,283,212**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before tax	**35,105**	17,432
Adjustments for:		
Depreciation of property, plant and equipment	**143,770**	160,778
Amortisation of prepaid land use rights	**1,132**	1,124
Interest income	**(1,323)**	(2,028)
Interest expense	**595**	–
Allowance for doubtful debts	**1,247**	516
Allowance for inventories	**158**	1,788
Loss (gain) on disposal of property, plant and equipment	**9**	(2)
Share of losses of an associate	**8,938**	12,396
Operating cash flow before movements in working capital	**189,631**	192,004
Trade and other receivables and prepayments	**12,449**	(1,758)
Bills receivable	**7,588**	(9,800)
Inventories	**(1,966)**	2,247
Trade and other payables	**18,100**	(17,727)
Bills payable	**(2,835)**	1,503
Cash generated from operations	**222,967**	166,469
Income tax paid	**(9,426)**	(9,691)
Interest received	**1,323**	2,028
Net cash from operating activities	**214,864**	158,806
Investing activities		
Purchase of property, plant and equipment	**(3,763)**	(5,389)
Proceeds from disposal of property, plant and equipment	**13**	657
Net cash used in investing activities	**(3,750)**	(4,732)
Cash used in financing activities		
New bank borrowing raised	**12,676**	–
Dividends paid to non-controlling interests	**(6,240)**	–
Repayment of bank borrowing	**(6,338)**	–
Interest expense paid	**(595)**	–
Consideration paid for acquisition of additional interests in a subsidiary (Note)	**–**	(2,972)
Net cash used in financing activities	**(497)**	(2,972)
Net increase in cash and bank balances	**210,617**	151,102
Cash and bank balances at the beginning of the year	**1,120,268**	954,232
Effect of exchange rate changes on the balance of cash and bank held in foreign currencies	**(1,131)**	14,934
Cash and bank balances at the end of the year	**1,329,754**	1,120,268

Year ended December 31, 2014

Note:

Acquisition of non-controlling interests

In 2013, there was an increase in the Group's shareholding in its subsidiary, Jiangxi Hong Feng, when the Group acquired additional 6% interest in shares through direct share purchase from a non-controlling interest of Jiangxi Hong Feng. Cash outflow as a result of acquisition of the non-controlling interest via share buy-back in the subsidiary is set out below:

	2013 HK$'000
Non-current assets	45,018
Inventories	9,685
Trade and other receivables and prepayments	10,433
Other current assets	23,190
Trade and other payables	(21,916)
Net identifiable assets as at date of acquisition	66,410
Effect of reduction in non-controlling interests	(3,984)
Gain from acquisition of non-controlling interests charged to equity	1,012
Cash outflow on acquisition of non-controlling interests	(2,972)

In accordance with FRS 27 (Revised) – Separate Financial Statements, change in ownership interests in a subsidiary that does not result in a loss of control is accounted for as equity transactions. Accordingly, the result cash flows were classified as cash flows from financing activities.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 26998) is incorporated in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business at 2nd Floor, Harbour View 1, No. 12 Science Park East Avenue, Phase 2, Hong Kong Science Park, Shatin, Hong Kong. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Hong Kong dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and the associate are disclosed in Notes 10 and 11 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on February 25, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRSs").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventory* or value in use in FRS 36 *Impairment of Assets*.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2014, the Group adopted all the new and revised FRSs, and Interpretation of FRSs ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as described below:

New and revised standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

Other than the additional disclosure, the adoption of the packages of five FRSs, have not had any material impact on the financial statements of the Group and of the Company for the current or prior financial years.

New FRS and INT FRS yet to be adopted

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that formed an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expenses are recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

Trade receivables, bills receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bills receivable and bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Trade and other payables, bills payable and bank borrowing are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank borrowing is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of the borrowing in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are stated at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No depreciation is provided until the construction is completed and the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, less residual value, if appropriate, over their estimated useful lives, using the straight-line method at the following rates per annum:

Leasehold properties and improvements	–	10 to 20%
Plant and equipment	–	10 to 20%
Licenced assets	–	10 to 20%
Motor vehicles	–	20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the consolidated financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PREPAID LAND USE RIGHTS – The cost of acquiring land use rights in the People's Republic of China ("PRC") are classified as prepaid land use right and amortised on a straight line basis over the period of 50-70 years, which represents the relevant land use rights that have been granted to the Group.

IMPAIRMENT OF TANGIBLE ASSETS AND PREPAID LAND USE RIGHTS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and prepaid land use rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

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

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

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measure reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income and licence fee income

Rental income and licence fee income are recognised on a straight-line basis over the term of the relevant lease and licence agreement.

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

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

RETIREMENT BENEFIT OBLIGATION – Payments made to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to the state-sponsored pension schemes operated by the PRC government, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENTS – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax law that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised and based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the 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 retranslation of monetary items are included in profit or loss for the period. 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. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserves.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates entities that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Legal claim (Note 30)

The Group is currently involved in legal proceedings as disclosed in Note 30 to the financial statements. Management has evaluated and assessed claims made against the Group based on legal advice received and information presently available and are of the view that, the Company is only the subject matter of the petition and is taking neutral stance. Accordingly, no provision nor accrual are made in the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

(a) Allowances for inventories (Note 9)

Determining whether an allowance is necessary in the valuation of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying value of the inventories is higher than their net realisable values, an allowance will be made so that the carrying value of inventories would not be higher than their net realisable values in the open market. During the year ended December 31, 2014, allowance of approximately HK$158,000 (2013: HK$1,788,000) was recognised in profit or loss.

(b) Impairment of investments in subsidiaries and amount due from a subsidiary and investment in an associate (Notes 10 and 11)

Determining whether investments in subsidiaries and associate are impaired requires an estimation of the recoverable amounts of the subsidiaries and the associate. Recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable amounts of the subsidiaries and the associate are based on fair value less costs to sell of the subsidiaries and the associate that has been estimated using investees' net asset value. Management has evaluated the recovery of these investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

(c) Impairment of prepaid land use rights and property, plant and equipment (Notes 8 and 13)

Determining whether prepaid land use rights and property, plant and equipment are impaired requires an estimation of the value in use of these assets. The value in use calculation requires the Group to estimate the future cash flows expected from the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the carrying amount of those assets based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

(d) Useful lives of property, plant and equipment (Note 13)

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The estimated useful lives reflect the management estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(e) Allowance for doubtful debts (Note 7)

As described in Note 2, trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowance for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss when there is objective evidence that the asset is impaired.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(e) Allowance for doubtful debts (Note 7) (continued)

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant portion of the Group's working capital is devoted to trade receivables. In determining whether allowance for doubtful debts is required, the Group takes into consideration the ageing status and estimates the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discusses with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are estimated to be unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the current creditworthiness and the past collection history of each customer as disclosed in Note 7.

(f) Recoverability of the licenced inventory (Note 15)

As described in Note 15, the licensee is required to return the licenced inventory used, consumed or disposed during the licence period to the Group at the end of the licence period, on August 31, 2015, either by way of cash or identical inventory with the same value as the licenced inventory used, consumed or disposed. The recoverable amount of the licenced inventory used, consumed or disposed during the licence period is secured by cash and receivables of a related party of the licencee.

In determining the recoverable value of the securities, the Group takes into consideration the validity and existence of the securities at each month end and estimates the recoverable value of the securities. In this regard, the management of the Company are satisfied that the risk is minimal and the recoverable value of the securities is not less than the licenced inventory used, consumed or disposal at each month end.

(g) Income taxes (Note 24)

The subsidiaries within the Group operate in a number of jurisdictions. Significant assumptions are required in determining the provision for income taxes based on the tax laws and regulations in those jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of taxation is disclosed in the statement of financial position.

(h) Investment property (Note 12)

The fair value of investment property is determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuers have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The fair value of HK$6,444,000 (2013: HK$6,465,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT

Categories of financial instruments

The Group and Company had no financial assets or liabilities carried at fair value in 2013 and 2014.

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Cash and bank balances	**1,329,754**	1,120,268	**–**	–
Trade and other receivables	**73,955**	81,635	**–**	–
Bills receivable	**35,328**	42,916	**–**	–
Due from a subsidiary	**–**	–	**873,932**	869,141
Total	**1,439,037**	1,244,819	**873,932**	869,141
Financial liabilities				
Amortised cost:				
Trade and other payables	**30,911**	22,950	**–**	–
Bills payable	**4,908**	7,743	**–**	–
Bank borrowing	**6,338**	–	**–**	–
Due to a subsidiary	**–**	–	**2,721**	2,721
Total	**42,157**	30,693	**2,721**	2,721

Financial risk management policies and objectives

The Group's major financial instruments include cash and bank balances, trade and other receivables, bills receivable, trade and other payables, bills payable and bank borrowing. Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT

(continued)

Financial risk management policies and objectives (continued)

The Group is exposed to interest rate, foreign exchange, credit and liquidity risks. The Group's risk management approach seeks to minimise any potential adverse impact of these exposures. The Group reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Credit risk management

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are rendered to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group is mainly exposed to credit risk on trade, bills and other receivable.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with reputable financial institutions.

The Group has concentration of credit risk in relation to the receivable from the licencee arising from licenced inventory amounting to HK$732 million (2013: HK$735 million) representing approximately 86% (2013: 84%) of the total trade and other receivables as at December 31, 2014. Management's procedures to minimise the credit risk have been in place as describe in Note 3 (e) and (f) to the financial statements. In this regard, the directors consider that the credit risk on this receivable is significantly reduced. Further details of credit risk on trade and other receivables and bills receivable are disclosed in Note 7.

(ii) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currencies, which expose the Group to foreign currency risk. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream. Transactional exposures in currencies other than the entity's functional currency are kept to a minimal level.

The Group's foreign currency exposure arises mainly from the exchange rate movements of the United States Dollar and the Japanese Yen. These exposures are managed primarily by using natural hedges by matching foreign currency cashflows.

Approximately 12% (2013: 14%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst about 97% (2013: 82%) of costs are denominated in the group entity's functional currency.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(ii) Foreign exchange risk management (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are disclosed in respective notes to the financial statements. There are monetary assets of HK$68,191,000 (2013: HK$43,418,000) denominated at United States Dollars and monetary liabilities of HK$5,294,000 (2013: HK$7,743,000) and HK$2,165,000 (2013: HK$2,457,000) denominated at United States Dollars and Japanese Yen respectively. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The Company transacts mainly in its functional currency and all the monetary assets and liabilities at the end of the reporting period are denominated in its functional currency.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the functional currency of respective group entity against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% strengthening of the functional currency of each group entity against the relevant currency and (decrease) increase in profit for the year				
United States Dollars	**(3,145)**	(1,784)	**–**	–
Japanese Yen	**108**	123	**–**	–
5% weakening of the functional currency of each group entity against the relevant currency and increase (decrease) in profit for the year				
United States Dollars	**3,145**	1,784	**–**	–
Japanese Yen	**(108)**	(123)	**–**	–

This is mainly attributable to the exposure outstanding on receivables and payables denominated in the above non-functional currency at year end.

When necessary, foreign exchange forward contracts are used by the Group to manage its foreign currency exposure arising from its operating activities.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT

(continued)

Financial risk management policies and objectives (continued)

(iii) Interest rate risk management

The Group's primary interest rate risk relates to its bank balances.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

The Group's bank borrowing has no exposure to cash flow interest rate risk as it bears interest at fixed interest rate.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing bank balances at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of interest bearing bank balances that have floating rates.

50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate. If interest rates on interest bearing bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on result for the year is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
50 basis points-higher/increase in profit for the year	**6,649**	5,601	**–**	–
50 basis points-lower/decrease in profit for the year	**(6,649)**	(5,601)	**–**	–

(iv) Liquidity risk management

The Group's objective to managing liquidity risk is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2014, the Group has available unutilised bank borrowing facilities of approximately HK$679,000,000 (2013: HK$774,000,000). The Group has sufficient working capital to fund its operations.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2014					
Non-interest bearing instruments	**–**	**35,819**	**35,819**	**–**	**35,819**
Fixed interest rate instruments	**6**	**6,402**	**6,402**	**(64)**	**6,338**
		42,221	**42,221**	**(64)**	**42,157**
2013					
Non-interest bearing instruments	–	30,693	30,693	–	30,693

Company

The non-derivative financial liability of the Company represents the amount due to a subsidiary which is non-interest bearing and repayable on demand for both years.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and net liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analysis (continued)

Non-derivative financial assets (continued)

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2014					
Variable-interest rate instruments	**0.25**	**1,331,417**	**1,331,417**	**(1,663)**	**1,329,754**
Non-interest bearing instruments	**–**	**109,283**	**109,283**	**–**	**109,283**
		1,440,700	**1,440,700**	**(1,663)**	**1,439,037**
2013					
Variable-interest rate instruments	0.25	1,121,668	1,121,668	(1,400)	1,120,268
Non-interest bearing instruments	–	124,551	124,551	–	124,551
		1,246,219	1,246,219	(1,400)	1,244,819

Company

The Company's financial assets are the amount due from a subsidiary which is non-interest bearing and repayable on demand for both years.

(v) Fair value of financial assets and financial liabilities

Management considered that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the financial statements approximate their fair values.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(vi) Capital risk management policies and objectives

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 stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The holding companies of the Company are as follows:

Relationship	Name of holding company	Country of incorporation
Immediate holding company	Excel First Investments Limited	British Virgin Islands
Intermediate holding company	Kingboard Laminates Holdings Limited	Cayman Islands
Intermediate holding company	Jamplan (BVI) Limited	British Virgin Islands
Ultimate holding company	Kingboard Chemical Holdings Limited	Cayman Islands

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year ended December 31, 2014 and 2013, no transaction between the Group and other related companies was entered.

6 CASH AND BANK BALANCES

	Group	
	2014	2013
	HK$'000	HK$'000
Cash at bank	**1,328,909**	1,119,545
Cash on hand	**845**	723
Total	**1,329,754**	1,120,268

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**72,403**	80,470	**–**	–
Prepayments	**1,186**	2,668	**166**	585
Deposits	**111**	24	**–**	–
Advance payments to suppliers	**2,603**	2,883	**–**	–
Other receivables	**4,649**	9,049	**–**	–
Total trade and other receivables and prepayments	**80,952**	95,094	**166**	585
Bills receivable	**35,328**	42,916	**–**	–

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not past due and not impaired	**72,279**	77,032	**–**	–
Past due but not impaired	**124**	3,438	**–**	–
	72,403	80,470	**–**	–
Impaired receivables – individually assessed	**10,366**	9,143	**–**	–
Allowance for doubtful debts	**(10,366)**	(9,143)	**–**	–
	–	–	**–**	–
Trade receivables, net	**72,403**	80,470	**–**	–

The impaired receivables – individually assessed are stated before any deduction for impairment losses.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$124,000 (2013: HK$3,438,000) which are past due at the reporting date for which the Group has not made any allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 67 days (2013: 60 days).

The credit period on sale of goods ranges from 30 to 90 days (2013: 30 to 90 days).

At the end of the reporting period, the bills receivable are aged within 180 days (2013: 180 days).

The Group has provided fully for all receivables over 120 days (other than bills receivable) except for those receivables where the repayment terms are mutually agreed with certain customers with long business relationship because historical experience is such that these receivables are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there has been no significant change in credit quality and the amount are still considered recoverable.

Movement in allowance for doubtful debts – trade

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at beginning of year	**9,143**	8,357	**–**	–
Currency realignment	**(24)**	270	**–**	–
Increase in allowance recognised in profit or loss	**1,247**	516	**–**	–
Balance at end of year	**10,366**	9,143	**–**	–

8 PREPAID LAND USE RIGHTS

	Group
	HK$'000
Cost:	
At January 1, 2013	54,812
Currency realignment	1,720
At December 31, 2013	56,532
Currency realignment	(189)
At December 31, 2014	56,343
Accumulated amortisation:	
At January 1, 2013	10,991
Amortisation during the year	1,124
Currency realignment	363
At December 31, 2013	12,478
Amortisation during the year	1,132
Currency realignment	(36)
At December 31, 2014	13,574
Carrying amount:	
At December 31, 2014	42,769
At December 31, 2013	44,054

8 PREPAID LAND USE RIGHTS (continued)

	Group	
	2014	2013
	HK$'000	HK$'000
Current	**1,101**	1,141
Non-current	**41,668**	42,913
	42,769	44,054

This represents prepaid land use rights in the People's Republic of China ("PRC") for a period ranging from 50-70 years. The average remaining amortisation period for these prepaid land use right is 40 years (2013: 41 years).

9 INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**15,976**	11,722
Work in progress	**465**	209
Finished goods	**23,768**	26,424
	40,209	38,355
Allowance for write-down to net realisable value	**(5,308)**	(5,150)
	34,901	33,205

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY

a. Subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Unquoted equity shares, at cost	**393,775**	393,775

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

The details of the significant subsidiaries are as follows:

Name of subsidiary and country of incorporation/registration and operations	Principal activities	Proportion of ownership interest and voting power held by the Group	
		2014 %	2013 %
Blue Atlas Limited* (British Virgin Islands)	Investment holding	**100**	100
Hong Kong Copper Foil Limited* (British Virgin Islands)	Investment holding and licencing of properties	**100**	100
Hong Kong Jamplan (China) Group Company Limited** (Note i) (Hong Kong)	Inactive	**100**	100
Fogang Kingboard Industry Ltd* (Note i and iv) (PRC)	Licencing business	**100**	100
Kingboard Chemical Investment Limited* (Note i) (British Virgin Islands)	Investment holding	**100**	100
Kingboard Chemical Investment (Hong Kong) Limited** (Note ii) (Hong Kong)	Investment holding	**100**	100
Chung Shun Copper Foil (MCO) Limited** (Note i) (Macau)	Trading of PVB and related products	**100**	100
Kingboard (Fogang) Specialty Resins Limited* (Note iii) (PRC)	Manufacture of specialty resins and related products	**100**	100
Kingboard (Lianzhou) Copper Foil Ltd* (Note i and iv) (PRC)	Licencing business	**100**	100
Jiangxi Hong Feng* (Note i) (PRC)	Manufacture of specialty resins and related products	**57**	57

* Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.

** Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

Notes:

(i) Shares held by Hong Kong Copper Foil Limited.

(ii) Shares held by Kingboard Chemical Investment Limited.

(iii) Shares held by Kingboard Chemical Investment (Hong Kong) Limited.

(iv) The production facilities of these companies are licenced to a third party under the arrangement as set out in Note 13.

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2014	2013
Manufacturing and trading of specialty resins and related products	PRC	**1**	1
Licencing business	PRC	**2**	2
Trading of PVB and related products	Macau	**1**	1
Investment holding or inactive	British Virgin Islands	**3**	3
	Hong Kong	**2**	2
		9	9

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		2014	2013
Manufacturing and trading of specialty resins and related products	PRC	**1**	1

b. Details of a non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
Jiangxi Hong Feng	PRC	**43%**	43%	**4,179**	4,023	**31,359**	33,540

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

Summarised financial information in respect of Jiangxi Hong Feng that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2014 HK$'000	2013 HK$'000
Current assets	**57,295**	53,664
Non-current assets	**38,795**	44,417
Current liabilities	**23,162**	20,082
Equity attributable to owners of the Company	**41,569**	44,459
Non-controlling interests	**31,359**	33,540
Revenue	**98,906**	89,105
Expenses	**(89,188)**	(79,750)
Profit for the year	**9,718**	9,355
Profit attributable to owners of the Company	**5,539**	5,332
Profit attributable to the non-controlling interests	**4,179**	4,023
Profit for the year	**9,718**	9,355
Other comprehensive (expense) income attributable to owners of the Company	**(159)**	1,273
Other comprehensive (expense) income attributable to the non-controlling interests	**(120)**	960
Other comprehensive (expense) income for the year	**(279)**	2,233
Total comprehensive income attributable to owners of the Company	**5,380**	6,605
Total comprehensive income attributable to the non-controlling interests	**4,059**	4,983
Total comprehensive income for the year	**9,439**	11,588

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

	December 31, 2014 HK$'000	December 31, 2013 HK$'000
Net cash (outflow) inflow from operating activities	**(697)**	7,368
Net cash inflow (outflow) from investing activities	**11,781**	(10,043)
Net cash outflow from financing activities (including dividends paid to non-controlling interests of HK$6,240,000 (2013: nil))	**(8,765)**	–
Net cash inflow (outflow)	**2,319**	(2,675)

c. Due from (to) a subsidiary

The amount due from a subsidiary is unsecured, non-interest bearing and is repayable at the sole discretion of the directors of the subsidiary, and are thus treated as deemed investment in the subsidiary and classified as non-current.

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

11 INVESTMENT IN AN ASSOCIATE

	Group		**Company**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cost of investment in an associate	**86,988**	86,988	**36,000**	36,000
Share of post-acquisition losses and other comprehensive expense	**(25,055)**	(16,273)	**–**	–
Impairment losses recognised	**–**	–	**(15,126)**	(12,000)
	61,933	70,715	**20,874**	24,000

11 INVESTMENT IN AN ASSOCIATE (continued)

Details of the Group's associates at December 31, 2014 is as follows:

Name of associate	Form of entity	Country of incorporation	Proportion of ownership interest and voting power held by the Group		Principal activities
			2014 %	2013 %	
Linkfit Investments Holdings Limited("Linkfit")#	Unlisted private entity	Samoa	**29.67**	29.67	Investment holding
KB Hotel#*+^	Wholly foreign owned enterprise	PRC	**29.67**	29.67	Hotel operation
Linkfit (Qingyuan) Property Development Company Limited #*+	Wholly foreign owned enterprise	PRC	**29.67**	29.67	Property development

Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
* These companies are wholly owned subsidiaries of Linkfit.
\+ The Group has indirect interest in the wholly owned subsidiaries of Linkfit.
^ KB Hotel was previously known as Qingyuan Regents International Hotel.

At the Company level, an impairment loss of HK$3 million (2013: HK$7 million) has been provided in the profit or loss for the year ended December 31, 2014 as the estimated recoverable amount of its investment in associate is lower than the carrying amount. The recoverable amount is determined based on fair value, estimated by management to approximate the carrying amount of the net tangible assets, as at the end of the reporting period.

11 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information in respect of Linkfit is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs.

	2014 HK$'000	2013 HK$'000
Current assets	**23,034**	23,391
Non-current assets	**622,846**	642,131
Current liabilities	**(370,142)**	(357,720)
Non-current liabilities	**(67,000)**	(69,463)
Revenue	**61,945**	59,914
Loss for the year	**(30,126)**	(41,780)
Other comprehensive income for the year	**525**	4,742
Total comprehensive expense for the year	**(29,601)**	(37,038)
Dividends received from Linkfit during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Linkfit recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net asset of Linkfit	**208,738**	238,339
Proportion of the Group's ownership interest in Linkfit	**29.67%**	29.67%
Carrying amount of the Group's interest in Linkfit	**61,933**	70,715

12 INVESTMENT PROPERTY

At fair value

	Group HK$'000
At January 1, 2013	6,269
Currency realignment	196
At December 31, 2013	6,465
Currency realignment	(21)
At December 31, 2014	6,444

12 INVESTMENT PROPERTY (continued)

The Group's property interest held under operating leases to earn rentals or for a capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

The property rental income from the Group's investment property of which is leased out under operating leases, amounted to HK$228,000 (2013: HK$225,000). There are no direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property for both financial years.

Fair value measurement of Group's investment property

The fair value of the Group's investment property at December 31, 2014 and 2013 was arrived at on the basis of a professional valuation carried out on that date by Messrs. Roma Appraisals Limited, independent qualified valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not connected with the Group. The fair value was determined based on the direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and location of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group investment property was categorised as level 3 under the fair value hierarchy as at December 31, 2014. There were no transfers of fair value hierarchy during the year.

Details of investment property held by the Group as at December 31, 2014 and 2013 are set out below:

Description and location	Fair value as at		Valuation methodology	Significant unobservable inputs	Range of unobservable inputs as at	
	31 December 2014 HK'000	31 December 2013 HK'000			**31 December 2014**	31 December 2013
Factories at Cheng Bai Area, Lianzhou City, Guangdong, the PRC	**6,444**	6,465	Direct Comparison	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property, layout and design.	**HK$1,187 – HK$1,667 per square metre**	HK$1,187 - HK$1,667 per square metre

The key input used in valuing the investment property was the price per square metre, which a significant increase in the price per square metre used would result in a significant increase in the fair value measurement of the investment property, and vice versa.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Licenced assets HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Group						
Cost:						
At January 1, 2013	21,666	225,312	2,441,654	15,058	1,883	2,705,573
Additions	–	–	–	376	5,013	5,389
Disposals	–	(324)	–	–	(452)	(776)
Reclassified from construction in progress	–	5,432	–	–	(5,432)	–
Currency realignment	680	7,261	76,613	39	45	84,638
At December 31, 2013	22,346	237,681	2,518,267	15,473	1,057	2,794,824
Additions	–	681	–	2,313	769	3,763
Disposals	–	(543)	–	–	–	(543)
Reclassified from construction in progress	–	641	–	–	(641)	–
Currency realignment	(75)	(841)	(8,427)	(5)	(3)	(9,351)
At December 31, 2014	22,271	237,619	2,509,840	17,781	1,182	2,788,693
Accumulated depreciation:						
At January 1, 2013	6,492	128,634	1,642,074	1,993	–	1,779,193
Depreciation during the year	1,194	21,194	136,705	1,685	–	160,778
Disposals	–	(121)	–	–	–	(121)
Currency realignment	223	4,054	53,691	24	–	57,992
At December 31, 2013	7,909	153,761	1,832,470	3,702	–	1,997,842
Depreciation during the year	1,204	21,195	119,710	1,661	–	143,770
Disposals	–	(521)	–	–	–	(521)
Currency realignment	(22)	(396)	(5,641)	(3)	–	(6,062)
At December 31, 2014	9,091	174,039	1,946,539	5,360	–	2,135,029
Carrying amount:						
At December 31, 2014	13,180	63,580	563,301	12,421	1,182	653,664
At December 31, 2013	14,437	83,920	685,797	11,771	1,057	796,982

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Licenced assets comprised of the following:

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At January 1, 2013	360,344	2,071,734	9,576	2,441,654
Currency realignment	11,307	65,006	300	76,613
At December 31, 2013	371,651	2,136,740	9,876	2,518,267
Currency realignment	(1,244)	(7,150)	(33)	(8,427)
At December 31, 2014	370,407	2,129,590	9,843	2,509,840
Accumulated depreciation:				
At January 1, 2013	132,862	1,499,739	9,473	1,642,074
Depreciation during the year	7,331	129,271	103	136,705
Currency realignment	4,285	49,106	300	53,691
At December 31, 2013	144,478	1,678,116	9,876	1,832,470
Depreciation during the year	7,240	112,470	–	119,710
Currency realignment	(454)	(5,154)	(33)	(5,641)
At December 31, 2014	151,264	1,785,432	9,843	1,946,539
Carrying amount:				
At December 31, 2014	219,143	344,158	–	563,301
At December 31, 2013	227,173	458,624	–	685,797

On August 3, 2011, the Group, through its wholly-owned subsidiary, Hong Kong Copper Foil Limited ("licencor"), entered into a licence agreement with Harvest Resource Management Limited ("licencee"), a third party, to licence its manufacturing facilities located at Fogang and Lianzhou to licencee for the period from September 1, 2011 to August 31, 2013. On August 30, 2013, the Group entered into a letter of extension and amendments with the licensee an extended the licence period for a further 2 years to August 31, 2015. The details of the licence arrangement, which remained unchanged, are as follows:

(i) to use the leasehold properties, comprising factory buildings in Fogang and Lianzhou;

(ii) to use, consume and dispose of the inventory which shall include consumables and stocks in trade; and

(iii) to use the machinery, together with all other equipment and facilities as from time to time located at the properties in Fogang and Lianzhou.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The licenced property, plant and equipment tabulated above and the licenced inventories classified as "other non-current assets" in Note 15 were licenced for licence fee income of HK$10 million per month payable in advance on the first day of each and every calendar month, as a short-term measure by the Group to generate income from the manufacturing facilities, pending the resolution of the interested party transactions issue, relating to the manufacturing and trading of copper foil, with the non-controlling shareholder (Note 30) and the approval of the interested party transactions mandate by the shareholders and/or when the Group clinched new third parties customers for the sales of copper foil. Accordingly, the licenced property, plant and equipment have been classified as licenced assets under property, plant and equipment.

As the licenced business segment recorded a loss of HK$7 million (2013: HK$23.9 million) for the year ended December 31, 2014, the Group conducted a review of the recoverable amount of its licenced property, plant and equipment determined based on the valuation carried out by independent professional valuer, Messrs. Roma Appraisals Limited. The valuation is determined based on the value in use calculated using the income approach. The discount rate used in measuring value in use was 7% (2013: 7%). Based on the review, no impairment loss is recognised.

Details of the leasehold properties held by the Group as at December 31, 2014 and 2013 are set out below:

Location	Description	Tenure of land use rights
Shijiao Town, Fogang, PRC *	Staff quarters (Area: 8,981 sq m)	70 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 18,413 sq m)	50 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 27,332 sq m)	50 years from 1993
Shijiao Town, Fogang, PRC *	Factory building (Area: 71,846 sq m)	50 years from 2001
Shijiao Town, Fogang, PRC *	Factory building (Area: 168,033 sq m)	50 years from 2004
Tangtang Town, Huanghuahu Development Area, Fogang, PRC *	Staff quarters (Area: 666 sq m)	70 years from 1997
Lianzhou Town, Lianzhou, PRC *	Factory building (Area: 563,843 sq m)	50 years from 2005
Wuning Town, Jiangxi, PRC	Factory building (Area: 18,896 sq m)	50 years from 2005

* The above leasehold properties are licenced to a third party under the licence agreement.

14 NON-CURRENT DEPOSITS

Non-current deposits represent deposits paid for the acquisition of property, plant and equipment.

15 OTHER NON-CURRENT ASSETS

Group

	Cost HK$'000	Allowance for slow moving HK$'000	Allowance for write-down to net realisable value HK$'000	Total HK$'000
Other non-current assets				
Total other non-current assets at January 1, 2013	–	–	–	–
Currency realignment	24,361	(1,472)	(531)	22,358
Reclassified from other current assets in 2013	776,376	(46,920)	(16,925)	712,531
Total other non-current assets at December 31, 2013	800,737	(48,392)	(17,456)	734,889
Currency realignment	(2,679)	162	58	(2,459)
Total other non-current assets at December 31, 2014	798,058	(48,230)	(17,398)	732,430
Other current assets				
Total other current assets at January 1, 2013	776,376	(46,920)	(16,925)	712,531
Reclassified to other non-current assets in 2013 (above)	(776,376)	46,920	16,925	(712,531)
Total other current assets at December 31, 2013 and December 31, 2014	–	–	–	–

This represented inventories licenced to a third party for the period from September 1, 2013 to August 31, 2015. Under the licencing agreement, the licencee may use, consume and dispose of the licenced inventories which include consumables and stocks in trade. However, the licencee is required to replace and return the quantities of licenced inventories used, consumed or disposed during the licenced period to the Group at the end of the licence period.

The licenced inventory has been classified as non-current assets as it is probable to continue to licence the manufacturing facilities after the expiry of the licencing agreement on August 31, 2015.

The licensed inventory used, consumed or disposed during the licence period is secured by cash and bills receivable of a related party of the licensee, with a total receivable value of not less than the value of the licenced inventory used, consumed or disposed as at the end of the reporting period.

16 GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning and at end of year	**238**	238

The goodwill of HK$238,000 was derived from the acquisition of a subsidiary during the year ended December 31, 2007. As at the end of the reporting period, management has reviewed and found no impairment on this goodwill. The subsidiary continues to be profitable and has a positive net worth.

17 BANK BORROWING

The bank borrowing is unsecured, bears interest at fixed rate of 6% (2013: Nil) per annum and is repayable in full on February 27, 2015.

18 BILLS PAYABLE

At the end of the reporting period, the bills payable are aged within 90 days (2013: 90 days).

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**30,911**	22,950	**–**	–
Deposit for licenced assets	**20,000**	20,000	**–**	–
Advance from customers	**1,813**	1,059	**–**	–
Accrued operating expenses	**25,938**	15,961	**2,776**	2,121
	78,662	59,970	**2,776**	2,121

Trade payables principally comprise trade creditors arising from purchases of raw materials. The average credit period on purchases of goods is approximately 30 days (2013: 30 days).

20 RETIREMENT BENEFIT OBLIGATIONS

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

21 SHARE CAPITAL

Group and Company	2014 '000	2013 '000	2014 HK$'000	2013 HK$'000
	Number of ordinary shares of US$0.10 each			
Authorised	**2,000,000**	2,000,000	**1,550,000**	1,550,000
Issued and fully paid:				
At beginning and end of year	**722,500**	722,500	**560,200**	560,200

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

22 REVENUE

	Group	
	2014 HK$'000	2013 HK$'000
Sales of PVB and related products	**399,945**	348,782
Licence fee income	**120,000**	120,000
	519,945	468,782

23 OTHER OPERATING INCOME

	Group	
	2014 HK$'000	2013 HK$'000
Interest income from non-related companies	**1,323**	2,028
Rental income from a non-related company	**228**	225
Net foreign exchange gains	**6**	10
Miscellaneous	**511**	763
	2,068	3,026

24 INCOME TAX EXPENSE

The Company does not have a place of business in Singapore and is not a tax resident for Singapore tax purpose. Accordingly, there is no income tax payable in Singapore. The Group's tax expenses is derived as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current tax	**11,487**	10,942
Overprovision in prior years	**–**	(1,822)
	11,487	9,120
Withholding tax on distributed profit of a subsidiary	**773**	–
Income tax expense	**12,260**	9,120

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in these financial statements as the Group has no assessable profits arising from Hong Kong for the both years.

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

Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$359,215,000 (2013: HK$219,614,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24 INCOME TAX EXPENSE (continued)

The income tax expense varied from the amount of income tax expense determined by applying the PRC enterprise income tax rate of 25% (2013: 25%) to profit before tax as a result of the following differences:

	Group	
	2014	2013
	HK$'000	HK$'000
Profit before tax	**35,105**	17,432
Income tax expense at statutory rate (Note a)	**8,776**	4,358
Effect of expenses that are not deductible in determining taxable profit	**3,568**	6,201
Tax effect of share of result of associate	**2,235**	3,099
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,070**	3,036
Effect of tax exempted profit (Note b)	**(194)**	(617)
Tax effect of tax holiday (Note c)	**(6,774)**	(5,243)
Withholding tax on distributed profit of a PRC subsidiary	**773**	–
Overprovision in respect for prior years	**–**	(1,822)
Others	**(194)**	108
Income tax expense	**12,260**	9,120

Notes:

a) The domestic income tax rate of 25% (2013: 25%) represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

b) Profit arising from a subsidiary in Macau is exempted from tax.

c) A subsidiary of the Company in the PRC was endorsed as a High-New Technology Enterprise and was entitled to a reduced PRC income tax rate of 15% until next renewal in 2015.

25 PROFIT FOR THE YEAR

	Group	
	2014	2013
	HK$'000	HK$'000
Audit fee:		
Auditors of the Company	**327**	327
Auditors of subsidiaries	**271**	271
Total audit fees	**598**	598
Non-audit fees paid to auditors:		
Auditors of the Company	**–**	–
Auditors of subsidiaries	**88**	175
Total non-audit fees	**88**	175
Directors' remuneration:		
Directors of the Company		
– Fees	**422**	436
Depreciation of property, plant and equipment	**143,770**	160,778
Amortisation of prepaid land use rights (included in administrative expenses)	**1,132**	1,124
Cost of inventories recognised as expenses	**313,140**	265,367
Staff costs	**18,730**	14,167
Costs of defined contribution plans included in staff costs	**212**	166
Loss (gain) on disposal of property, plant and equipment	**9**	(2)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**422**	436

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of the individuals and market trends.

26 EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the Group's profit attributable to owners of the Company of HK$18,666,000 (2013: HK$4,289,000) by 722,500,000 (2013: 722,500,000) being the number of shares in issue during the financial year.

27 DIVIDENDS

No dividend was declared or proposed by the Company for the year ended December 31, 2014 and 2013.

28 CAPITAL RESERVES

	Group	
	2014	2013
	HK$'000	HK$'000
The capital reserves comprise the following:		
Surplus on acquisition of subsidiaries pursuant to group restructuring exercise	**6,275**	6,275
Gain on acquisition of non-controlling interest in a subsidiary	**1,012**	1,012
	7,287	7,287

29 SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance is specifically focused on the Group's operating division. The Group is currently organised into two operating divisions – PVB business and licence business.

PVB business – manufacturing and trading of PVB and related products; and

Licence business – earning licence fee income from its licenced assets.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of share of loss of an associate, finance costs and rental income from a fellow subsidiary and non-related company. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

29 SEGMENT INFORMATION (continued)

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of trade and other receivables and prepayments, other non-current assets, bills receivable, cash and bank balances, inventories, prepaid land use rights, property, plant and equipment and non-current deposits, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, bills payable, income tax payable and bank borrowing. Capital additions include the total cost incurred to acquire property, plant and equipment and prepaid land use rights directly attributable to the segment.

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended December 31, 2014

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	**399,945**	**120,000**	**519,945**
Segment result	**50,698**	**(6,883)**	**43,815**
Unallocated income			**228**
Share of losses of an associate			**(8,938)**
Profit before tax			**35,105**
Income tax expense			**(12,260)**
Profit for the year			**22,845**

For the year ended December 31, 2013

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	348,782	120,000	468,782
Segment result	53,480	(23,877)	29,603
Unallocated income			225
Share of losses of an associate			(12,396)
Profit before tax			17,432
Income tax expense			(9,120)
Profit for the year			8,312

29 SEGMENT INFORMATION (continued)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2013: HK$ Nil).

The following is an analysis of the Group's assets, liabilities and other segment information by reportable segments:

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
At December 31, 2014			
Assets			
Segments assets	**1,580,570**	**1,334,856**	**2,915,426**
Investment in an associate			**61,933**
Unallocated corporated assets			**6,444**
			2,983,803
Liabilities			
Segment liabilities	**57,514**	**38,304**	**95,818**

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
At December 31, 2013			
Assets			
Segments assets	1,412,060	1,460,994	2,873,054
Investment in an associate			70,715
Unallocated corporated assets			6,465
			2,950,234
Liabilities			
Segment liabilities	39,324	32,238	71,562

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in an associate and investment property. Goodwill has been allocated to reportable segment based on the subsidiary operating activity which is the PVB business.

29 SEGMENT INFORMATION (continued)

Other information

For the year ended December 31, 2014

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
Capital additions	**3,763**	**–**	**3,763**
Depreciation expenses	**24,060**	**119,710**	**143,770**
Amortisation of prepaid land use rights	**90**	**1,042**	**1,132**

For the year ended December 31, 2013

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
Capital additions	5,389	–	5,389
Depreciation expenses	24,073	136,705	160,778
Amortisation of prepaid land use rights	90	1,034	1,124

All revenues from external customers during both years are derived from customers in Macau/the PRC and all non-current assets of the Group are located in Macau/the PRC. The Group's external customers during both years are spread over a number of counterparties with no significant major customers.

30 CONTINGENT LIABILITIES

During the year ended December 31, 2011, the Company was named as a respondent in the Supreme Court of Bermuda in a petition based on an allegation that the affairs of the Group had been and/or were being conducted in a manner which was oppressive or unfairly prejudicial to the non-controlling shareholders. The petitioner was seeking an order to the shareholder of the Company to re-purchase all of the shares held by petitioner at a price to be fixed by a valuer or Supreme Court of Bermuda. The trial of the petition has been fixed on May 25, 2015. The Company is only the subject matter of the petition and is taking a neutral stance. Accordingly, no provision for liability has been made in connection with this claim.

31 COMMITMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**798**	545

32 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2014	2013
	HK$'000	HK$'000
Minimum lease payments under operating leases recognised as an expense in the year	**134**	134

As the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which will fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**134**	134
In the second to fifth years inclusive	**–**	134
	134	268

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for one year (2013: two years) and rentals are fixed for one year (2013: two years).

The Group as lessor

At end of the reporting period, the Group has contracted with licencee for the following future minimum licence fee payments:

	2014	2013
	HK$'000	HK$'000
In one year	**10,000**	10,000

The Group licences its Licenced Assets to a committed licencee under the licence agreement as follows:

– within the first twelve months of the licence, either the Group or licencee may terminate the licence agreement at its sole discretion, by serving on the other party not less than one month prior notice in writing and paying the other party HK$1 million or such other amount as may be mutually agreed in writing between both parties.

– after the first twelve months of the licence, the Group may terminate the licence agreement at its sole discretion, by serving on licencee not less than one month prior notice in writing.

SHAREHOLDINGS AS AT MARCH 13, 2015

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 1,000	1,212	17.89%	1,208,336	0.17%
1,001 – 10,000	4,508	66.53%	19,112,675	2.65%
10,001 – 1,000,000	1,035	15.27%	58,398,889	8.08%
1,000,001 and above	21	0.31%	643,780,100	89.10%
	6,776	100%	722,500,000	100%

Authorised share capital	:	US$200,000,000
Issued share capital	:	US$72,250,000
Number of shares	:	722,500,000
Class of shares	:	ordinary shares of US$0.10
Voting rights	:	one vote per share

Based on information available to the Company as at March 13, 2015, approximately 25.30% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

The Company does not have any treasury shares.

Top Twenty Shareholders As At March 13, 2015

S/No.	Name	No. of Shares	Percentage
1	EXCEL FIRST INVESTMENTS LIMITED	449,002,000	62.15%
2	CITIBANK NOMINEES SINGAPORE PTE LTD	69,659,947	9.64%
3	RAFFLES NOMINEES (PTE) LTD	25,098,000	3.47%
4	DBS NOMINEES PTE LTD	24,556,342	3.40%
5	KINGBOARD LAMINATES LTD	17,516,000	2.42%
6	ANNUITY & LIFE INSURANCE LTD	17,361,000	2.40%
7	UOB KAY HIAN PTE LTD	8,757,000	1.21%
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	7,240,000	1.00%
9	DBSN SERVICES PTE LTD	5,927,000	0.82%
10	MCCALLUM JOHN CHARLES	2,190,000	0.30%
11	MORGAN STANLEY ASIA (SINGAPORE) SEC PTE LTD	2,046,400	0.28%
12	MAYBANK NOMINEES (SINGAPORE) PTE LTD	1,908,500	0.27%
13	PEH KOK WAH @ PEH WAH CHYE	1,808,500	0.25%
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,776,000	0.25%
15	CIMB SEC SECURITIES (SINGAPORE) PTE LTD	1,659,200	0.23%
16	LEE MING SAN	1,400,000	0.20%
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,288,000	0.18%
18	MAYBANK KIM ENG SECURITIES PTE LTD	1,259,011	0.17%
19	HUANG BAOJIA	1,198,200	0.17%
20	PHILLIP SECURITIES PTE LTD	1,128,000	0.16%
		642,779,100	88.97%

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	Name of Shareholders	No of Shares Direct Interest	Deemed Interest	Percentage
1	Excel First Investments Limited	449,002,000	17,516,000	64.57%
2	Kingboard Laminates Holdings Limited	–	466,518,000	64.57%
3	Jamplan (BVI) Limited	–	466,938,000	64.63%
4	Kingboard Chemical Holdings Limited	–	466,938,000	64.63%
5	Hallgain Management Limited	–	466,938,000	64.63%
6	Pope Asset Management, LLC	–	72,133,573	9.98%

Hallgain Management Limited ("HML") has approximately 36.26% shareholding interest in Kingboard Chemical Holdings Limited ("KCHL").

Jamplan (BVI) Limited ("Jamplan") is a wholly-owned subsidiary of KCHL.

Kingboard Laminates Holdings Limited ("KLHL") is a 74.59% owned subsidiary of KCHL of which 4.82% is held by KCHL directly and 69.77% is held by Jamplan.

Excel First Investments Limited ("EFIL") is a wholly-owned subsidiary of KLHL.

Pursuant to Section 4 of the Securities and Futures Act,

i) EFIL is deemed to have an interest in the 17,516,000 shares held by its subsidiary through the nominees;

ii) KLHL is deemed to have an interest in the 449,002,000 shares held by EFIL directly and the 17,516,000 shares held by the subsidiary of EFIL through the nominees;

iii) Jamplan, KCHL and HML are deemed to have an interest in the 449,002,000 shares held by EFIL directly, the 17,516,000 shares held by the subsidiary of EFIL through the nominees, and an additional of 420,000 shares held by another immediate subsidiary of Jamplan which is not subsidiary of EFIL and KLHL; and

iv) Pope Asset Management, LLC is deemed to have an interest in the 72,133,573 shares held through the nominees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **KINGBOARD COPPER FOIL HOLDINGS LIMITED** will be held at Heritage Room, Level 2, Furama City Centre Singapore (hotel @ Chinatown), 60 Eu Tong Sen Street, Singapore 059804, on Thursday, April 30, 2015 at 9:30 a.m. to transact the following business:

As Ordinary Business

1. To consider and adopt the Directors' Report and Financial Statements for the year ended December 31, 2014 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of HK$422,000/– for the year ended December 31, 2014. (2013: HK$436,000/–) **Resolution 2**

3. To re-elect Mr Cheung Kwok Ping, the Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. **Resolution 3**

4. To re-elect Mr Chim Hou Yan, the Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. *[see note 3]* **Resolution 4**

5. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following Resolutions No. 6 as Ordinary Resolution with or without modifications:

6. THAT authority be and is hereby given to the Directors to allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares at the time of passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares; and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is earlier.
   [see statement under the heading Resolution 6] **Resolution 6**

7. To transact any other business.

BY ORDER OF THE BOARD

JULIANA LOH JOO HUI
Company Secretary

Singapore, April 13, 2015

Notes:

1. With the exception of The Central Depository (Pte) Limited who may appoint more than two proxies, a member who holds two or more shares and entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. The instrument appointing a proxy must be deposited at the office of the Share Transfer Agent of the Company in Singapore, Intertrust Singapore Corporate Services Pte. Ltd., at **3 Anson Road, #27-01 Springleaf Tower, Singapore 079909**, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. A proxy need not also be a member.

2. **Persons holding shares in the capital of the Company through The Central Depository (Pte) Limited are reminded that the Proxy Forms appointing themselves as proxies must similarly be deposited not less than 48 hours before the time of the meeting in order for such persons to be able to attend and/or vote at such meeting.**

3. Mr Chim Hou Yan will, upon re-election, continue to serve as Chairman of the Remuneration and Nominating and member of the Audit Committees of the Company. Mr Chim is a Non-Executive Director of the Company and is considered independent by the Board of Directors of the Company.

STATEMENTS PURSUANT TO BYE-LAW 58(2) OF THE COMPANY'S BYE-LAWS

Resolution 6

The proposed ordinary Resolution 6, if passed, will empower the Directors of the Company to allot and issue new shares in the capital of the Company, subject to the limits and in the manner as described therein. This authority shall, unless revoked or varied at a general meeting, expire at the conclusion of the next general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is earlier.

The percentage of issued share capital of the Company is based on the number of issued shares excluding treasury shares at the time of passing of the Resolution approving the mandate after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

Unless prior shareholders' approval is required under the Listing Rules, an issue of treasury shares will not require further shareholders' approval, and will not be included in the aforementioned limitation.

The Company does not hold any treasury shares.

KB KINGBOARD COPPER FOIL HOLDINGS LIMITED

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