TECH PRO TECHNOLOGY DEVELOPMENT LIMITED
德普科技發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03823)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

RESULTS OF THE GROUP

The board of directors (the "Board") of Tech Pro Technology Development Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013, together with comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations			
Turnover and revenue	4	**167,210**	303,629
Cost of sales		**(94,762)**	(213,820)
Gross profit		**72,448**	89,809
Other revenue	5	**6,860**	6,654
Other income	5	**1,991**	717
Distribution costs		**(15,343)**	(7,899)
Administrative expenses		**(34,826)**	(27,709)
Impairment loss on goodwill	11	**(197,045)**	–
Amortisation of intangible assets	6(c)	**(71,380)**	(71,380)
Fair value gain on embedded derivative of convertible notes		**–**	11,932
Fair value (loss)/gain on embedded derivative of bonds	16	**(3,542)**	2,691
Loss on extinguishment of convertible notes to bonds		**–**	(39,014)
Loss on early redemption of promissory notes	15	**(4,878)**	(5,600)
Allowance for impairment on trade and other receivables, net	12(b)	**(153)**	–
Finance costs	6(a)	**(9,760)**	(22,528)
Loss before taxation	6	**(255,628)**	(62,327)
Income tax credit	7	**5,276**	3,561

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Loss for the year from continuing operations		**(250,352)**	(58,766)
Discontinued operations			
Loss for the year from discontinued operations	*8*	**(6,808)**	(68,875)
Loss for the year		**(257,160)**	(127,641)
Loss attributable to:			
Owners of the Company		**(245,528)**	(119,675)
Non-controlling interests		**(11,632)**	(7,966)
		(257,160)	(127,641)
Loss attributable to owners of the Company arises from:			
Continuing operations		**(238,720)**	(50,800)
Discontinued operations		**(6,808)**	(68,875)
		(245,528)	(119,675)
Loss per share (RMB cents)	*10*		
From continuing operations and discontinued operations			
– Basic and diluted		**(22.26 cents)**	(11.33 cents)
From continuing operations			
– Basic and diluted		**(21.64 cents)**	(4.81 cents)
From discontinued operations			
– Basic and diluted		**(0.62 cents)**	(6.52 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013 *RMB'000*	2012 *RMB'000* (Restated)
Loss for the year	**(257,160)**	(127,641)
Other comprehensive income for the year		
Items that may be subsequently reclassified to profit or loss		
Exchange differences:		
– on translation of financial statements of foreign operations	**(84)**	(1,624)
– reclassification adjustment relating to disposal of subsidiaries	**2,020**	(61)
Total comprehensive loss for the year (net of tax)	**(255,224)**	(129,326)
Attributable to:		
Owners of the Company	**(243,556)**	(121,335)
Non-controlling interests	**(11,668)**	(7,991)
	(255,224)	(129,326)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	**(238,768)**	(52,399)
Discontinued operations	**(4,788)**	(68,936)
	(243,556)	(121,335)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**56,835**	236,690
Lease prepayments		**–**	3,676
Goodwill	*11*	**175,582**	372,627
Other intangible assets		**587,244**	658,624
		819,661	1,271,617
Current assets			
Inventories		**22,532**	132,665
Lease prepayments		**–**	83
Trade and bills receivables	*12*	**116,335**	337,891
Other receivables and prepayments		**94,508**	69,323
Restricted bank deposits		**12,170**	42,504
Cash at banks and in hand		**42,520**	65,116
		288,065	647,582
Current liabilities			
Trade and bills payables	*13*	**24,965**	182,672
Other payables and accruals		**28,231**	63,875
Amounts due to related companies		**–**	42,888
Amount due to a former director		**–**	1,178
Amount due to a director		**571**	585
Amount due to a former shareholder		**–**	144
Bank loans	*14*	**3,324**	285,303
Promissory notes payable	*15*	**–**	15,145
Bonds payable	*16*	**65,283**	712
Obligations under finance leases		**352**	–
Income tax payable		**25,181**	16,451
		147,907	608,953
Net current assets		**140,158**	38,629
Total assets less current liabilities		**959,819**	1,310,246

	Notes	**2013**	2012
		RMB'000	*RMB'000*
Non-current liabilities			
Loan from a former director	*17*	**–**	96,264
Bonds payable	*16*	**–**	57,631
Obligations under finance leases		**738**	–
Deferred tax liabilities		**148,995**	166,878
		149,733	320,773
NET ASSETS		**810,086**	989,473
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,407**	9,835
Reserves		**628,702**	733,533
		639,109	743,368
Non-controlling interests		**170,977**	246,105
TOTAL EQUITY		**810,086**	989,473

NOTES:
For the year ended 31 December 2013

1. GENERAL INFORMATION

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. On 17 June 2013, the Group disposed certain subsidiaries, namely Huawei Group Holdings Limited and its subsidiaries (the "Huawei Group"), which were engaged in manufacture and sale of aluminum electrolytic capacitors. Accordingly, the operation is classified as discontinued operations (see note 8 (a) for details). As a result, the comparative figures of the income statement, statement of comprehensive income have been represented to conform with the current year's presentation.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2013 comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group").

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data, which is the Group's presentation currency.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Revised HKAS 19	Employee benefits
Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures-Offsetting financial assets and financial liabilities

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impact of the adoption of these and amended HKFRSs is discussed below:

Amendments to HKAS 1 – Presentation of financial statements-Presentation of items of other comprehensive income

The amendments require the entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 – Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation-Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 – Joint arrangements

HKFRS 11, which replaces HKAS 31 Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using equity method of the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

HKFRS 12 – Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 – Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments include new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting agreement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

4. TURNOVER AND SEGMENT REPORT

(a) Turnover and revenue

The Group is principally engaged in the manufacture, sales and distribution of LED lighting products and energy saving services. Turnover represents sales value of goods supplied to customers and service income from distribution of LED lighting products and energy saving projects.

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Sales of LED lighting products	**121,245**	303,629
Commission income from distribution of LED lighting products	**43,873**	–
Income from energy saving projects	**2,092**	–
	167,210	303,629

With effect commencing from 1 January 2013, based on the agency agreements entered into between two subsidiaries of the Company and independent third party distributors (as principals) during the current year, two subsidiaries of the Company were appointed as agents to perform the agency services in relation to contracts for the purchase of LED lighting products made on behalf of principals or introduced by the agents, and the principals shall assume all liabilities and obligations arising from the purchase contracts incurred by the Group on their behalf and the Group shall be fully indemnified for any loss, damages, liabilities and costs incurred in relation to the provision of the agency services in accordance with the agency agreements. The commission income received and receivable from each of the principals is determined at agreed rates as specified in the relevant agency agreements and upon the services rendered.

(b) Segment reporting

Information is reported to the Group's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. Previously, the Group was involved in manufacture and sale of aluminum electrolytic capacitors, as set out in note 8, these manufacture and sale operations were discontinued with effect from 17 June 2013 to realign the Group's business focus and resources in the LED lighting business in line with the Group's latest business strategy.

Since the discontinuation of manufacture and sale of aluminum electrolytic capacitors operations, the Group's executive directors review the Group's results for the year and total assets from the continuing operation as a whole, which mainly represent LED lighting business, for resource allocation and performance assessment. Accordingly, no further segment information was presented.

5. OTHER REVENUE AND INCOME

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Other revenue		
Bank interest income	**27**	128
Rental income from property, plant and equipment	**2,000**	3,924
Sub-contracting income	**2,051**	1,054
Scrap sales	**2,782**	1,548
	6,860	6,654

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Other income		
Gain on disposal of property, plant and equipment	**287**	–
Exchange gain, net	**1,704**	677
Others	**–**	40
	1,991	717

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
(a) Finance costs		
Finance charges on obligations under finance leases	**30**	–
Imputed interest on promissory notes	**572**	1,798
Imputed interest on convertible notes	**–**	20,018
Interest on bonds	**9,158**	712
Total interest expense on financial liabilities not at fair value through profit or loss	**9,760**	22,528
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**28,373**	20,080
Contributions to defined contribution retirement plans	**820**	612
Total staff costs	**29,193**	20,692

	2013	2012
	RMB'000	*RMB'000*
		(Restated)

(c) Other items

Amortisation of other intangible assets		
– Customer relationships	**34,207**	34,207
– Patents	**32,173**	32,173
– Trademarks	**5,000**	5,000
	71,380	71,380
Impairment loss on goodwill	**197,045**	–
Depreciation of property, plant and equipment	**6,227**	5,917
Impairment of trade receivables	**153**	–
Operating lease charges in respect of land and buildings	**5,775**	5,585
Auditor's remuneration		
– Audit services	**689**	720
– Non-audit services	**117**	264
Loss on disposal of property, plant and equipment	**–**	30
Research and development expenditure	**482**	513
Cost of inventories consumed	**94,762**	213,820

Notes:

(i) Cost of inventories sold includes staff costs of RMB8,766,000 (2012 (restated): RMB7,568,000) and depreciation of RMB2,677,000 (2012 (restated): RMB2,251,000) as disclosed in staff costs and depreciation of property, plant and equipment above.

(ii) Research and development expenditure includes staff costs of RMB343,000 (2012 (restated): Nil) and materials of RMB2,108,000 (2012 (restated): Nil) incurred by the research and development department which are included in the staff costs and cost of inventories consumed as disclosed above.

7. INCOME TAX

(a) Income tax credit in the consolidated income statement represents:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Hong Kong Profits Tax		
– Current year	**7,264**	4,402
– Over-provision in respect of prior years	**–**	(20)
PRC Enterprise Income Tax		
– Current year	**5,343**	9,940
	12,607	14,322
Reversal of deferred tax liabilities	**(17,883)**	(17,883)
	(5,276)	(3,561)

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

(iii) Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to enterprise income tax at a rate of 25% (2012: 25%).

8. LOSS FROM DISCONTINUED OPERATIONS

(a) Discontinued operations – 2013

On 17 June 2013, the Group completed the disposal of the entire interest in Huawei Group Holdings Limited and its subsidiaries (the "Huawei Group") to a former executive director, Mr Yan Qixu for a cash consideration of HK$120,000,000 (equivalent to RMB94,752,000), resulting in a gain on disposal of subsidiaries of RMB13,990,000. The Huawei Group is engaged in manufacture and sale of aluminum electrolytic capacitors and accounted for a separate operating segment of the Group.

The loss for the year ended 31 December 2013 from the discontinued operations is analysed as follows:

	2013
	RMB'000
Net loss for the year from discontinued operations	**(20,798)**
Gain on disposal of subsidiaries	**13,990**
	(6,808)

The results of the discontinued operations for the year are presented as follows:

	2013	2012
	RMB'000	*RMB'000*
Turnover	**152,504**	315,541
Cost of sales	**(143,675)**	(297,799)
Gross profit	**8,829**	17,742
Other revenue and income	**1,547**	3,861
Distribution costs	**(3,374)**	(7,676)
Administrative expenses	**(16,060)**	(32,633)
Allowance for impairment on trade receivables, net	**(737)**	(2,199)
Write down of inventories	**(19)**	(21,971)
Other operating expenses	**–**	(70)
Finance costs	**(10,691)**	(20,075)
Loss before taxation	**(20,505)**	(63,021)
Attributable income tax expense	**(293)**	(330)
Net loss for the year	**(20,798)**	(63,351)
Loss before taxation for the year from discontinued operations:		
Amortisation of lease prepayments	**42**	83
Depreciation of property, plant and equipment	**10,594**	21,648

An analysis of the cash flows of the discontinued operations:

	2013	2012
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**116,618**	(60,897)
Net cash outflow from investing activities	**(4,987)**	(3,605)
Net cash (outflow)/inflow from financing activities	**(109,810)**	73,984
Net cash inflow	**1,821**	9,482

(b) **Discontinued operations – 2012**

On 18 December 2012, the Group completed the disposal of 100% equity interests in Hai Te Wei Company Limited and its subsidiaries (the "Hai Te Wei Group") and Tong Tai Company Limited and its subsidiary (the "Tong Tai Group") to an independent third party, at an aggregate consideration of HK$80,000,000 (equivalent to approximately RMB65,024,000). The principal activities of the Hai Te Wei Group and Tong Tai Group are the manufacture and sale of chip type electronic components and aluminum electrolytic capacitors in Southern China, respectively. During the year ended 31 December 2012, Changzhou Huawei also discontinued selling of chip type electronic components upon the disposal of Hai Te Wei Group.

The loss for the year ended 31 December 2012 from the discontinued operations were as follows:

	2012
	RMB'000
Net loss for the year from discontinued operations of	
– Chip type electronic components *(note (b)(i))*	(2,400)
– Aluminum electrolytic capacitors in Huawei Group *(note (a))*	(63,351)
– Aluminum electrolytic capacitors in Southern China *(note(b)(ii))*	(6,789)
Gain on disposal of subsidiaries	3,665
	(68,875)

(i) Loss from the chip type electronic components operation

	2012
	RMB'000
Turnover	33,856
Cost of sales	(29,760)
Gross profit	4,096
Other revenue and income	111
Distribution costs	(411)
Administrative expenses	(5,135)
Reversal of impairment on trade receivables	1,219
Finance costs	(2,360)
Loss before taxation	(2,480)
Attributable income tax credit	80
Net loss for the year	(2,400)
Loss before taxation for the year from discontinued operations:	
Amortisation of lease prepayments	318
Depreciation of property, plant and equipment	4,626

(ii) Loss from the aluminum electrolytic capacitors operation in Southern China

	2012
	RMB'000
Turnover	26,081
Cost of sales	(23,707)
Gross profit	2,374
Other revenue and income	5
Distribution costs	(1,493)
Administrative expenses	(7,675)
Loss before taxation	(6,789)
Attributable income tax expense	–
Net loss for the year	(6,789)
Loss before taxation for the year from discontinued operations:	
Depreciation of property, plant and equipment	2,727

(iii) An analysis of the cash flows of the discontinued operations:

	2012
	RMB'000
Chip type electronic components operation:	
Net cash outflow from operating activities	(23,610)
Net cash outflow from investing activities	(1,156)
Net cash outflow from financing activities	(17,186)
Net cash outflow	(41,952)
Aluminum electrolytic capacitors operation in Southern China:	
Net cash outflow from operating activities	(3,287)
Net cash outflow from investing activities	(1,257)
Net cash outflow from financing activities	–
Net cash outflow	(4,544)

9. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2013 (2012: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB245,528,000 (2012 (restated): RMB119,675,000) and the weighted average number of RMB1,103,114,864 (2012: 1,056,125,412) ordinary shares in issue during the year, calculated as follows:

Loss attributable to owners of the Company

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
From continuing operations	**238,720**	50,800
From discontinued operations	**6,808**	68,875
	245,528	119,675

Weighted average number of shares

	2013	2012
	Number of shares	*Number of shares*
Shares issued at 1 January	**1,075,678,000**	1,027,000,000
Effect of conversion of convertible notes	**–**	3,654,181
Effect of exercise of unlisted warrants	**27,436,864**	25,471,231
Weighted average number of shares in issue	**1,103,114,864**	1,056,125,412

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and unlisted warrants as their exercise would result in a decrease in loss per share. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 31 December 2013 and 2012.

11. GOODWILL

	2013	2012
	RMB'000	*RMB'000*
Costs		
Arising from acquisition of subsidiaries in 2011	**372,627**	372,627
Impairment		
At 1 January	**–**	–
Impairment loss recognised in the year	**197,045**	–
At 31 December	**197,045**	–
Carrying amounts		
At 31 December	**175,582**	372,627

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to five cash generating units ("CGU") attributable to subsidiaries which engaged in manufacturing and sales of LED lighting.

During the year ended 31 December 2013, the gross profit margin of the LED lighting products, particularly the LED lighting parts businesses, was reduced as compared to 2012. The reduction in gross profit margin for the CGUs was mainly attributable to the following reasons: (i) selling prices of the LED lighting products have been decreasing as there was increasingly keen competition in the LED industry; (ii) the cost of production such as the labour cost and utilities costs was kept on rising; and (iii) the increased cost of production cannot be fully shifted to the customers. Management expects that the selling prices of the LED lighting products will keep on decreasing as most of the LED manufacturers will intend to capture more of their market share by cutting the selling prices of LED lighting products. The business in LED lighting has continued to operate on a satisfactory basis, but without achieving significant increase in market share. In light of past performance, current keen market competition and the management's expectations for the market development in the future, the directors of the Company have consequently determined to recognise impairment loss on goodwill directly related to the following CGUs amounting to RMB197,045,000 (2012: Nil) for the year, based on the following impairment assessment conducted at the year end. No other write-down of the assets of the CGUs is considered necessary.

Carrying amounts of goodwill allocated to the CGUs are as follows:

	Carrying amount as 1/1/2013	**Impairment loss recognised**	**Carrying amount as 31/12/2013**
	RMB'000	*RMB'000*	*RMB'000*
– Giga-World Group	84,072	(30,147)	53,925
– Shine Link Group	66,071	(4,215)	61,856
– Kings Honor Group	89,701	(64,456)	25,245
– Pacific King Group	80,320	(51,760)	28,560
– Starry View Group and Mega Wide Group	52,463	(46,467)	5,996
	372,627	(197,045)	175,582

The basis of the recoverable amount of the CGUs and its major underlying assumptions are summarised as follows:

The recoverable amounts of the CGUs above are determined based on value-in-use calculations as of the end of the reporting period by Peak Vision Appraisals Limited ("Peak Vision"), a firm of independent professional valuers. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.68% (2012: 2.87%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the CGU operates. The appraiser estimates the discount rates as presented below, using the Capital Assets Pricing Model based on stock prices of certain comparable companies listed on the Stock Exchange, plus a risk premium to reflect the specific risk of the individual CGUs. The discount rates used are pre-tax and reflect specific risks relating to the individual CGUs.

	Pre-tax discount rate	Growth rate beyond 5 years
Giga-World Group	19.88%	2.68%
Shine Link Group	24.74%	2.68%
Kings Honor Group	28.22%	2.68%
Pacific King Group	22.54%	2.68%
Starry View Group	22.15%	2.68%
Mega Wide Group	27.62%	2.68%

At 31 December 2013, the recoverable amounts of these CGUs are lower than their carrying amounts with reference to the professional valuations performed by Peak Vision. Provision for impairment loss on goodwill of approximately of RMB197,045,000 has been recognised during the year ended 31 December 2013.

12. TRADE AND BILLS RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**111,883**	352,621
Less: Allowance for doubtful debts	**(153)**	(20,043)
	111,730	332,578
Bills receivables	**4,605**	5,313
	116,335	337,891

All of the trade and bills receivables are expected to be recovered within one year.

(a) Aging analysis

Aging analysis of trade and bills receivables based on the invoiced date as of the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
0–30 days	**26,194**	98,521
31–90 days	**34,016**	123,836
91–180 days	**33,838**	88,536
181–365 days	**9,801**	23,944
Over 365 days	**12,639**	23,097
	116,488	357,934
Less: Allowance for doubtful debts	**(153)**	(20,043)
	116,335	337,891

The Group normally grants a normal credit period of 90 to 365 days to its customers. Certain well-established customers who have strong financial strength, good repayment history and creditworthiness, the Group extends their credit periods beyond 180 days. Each customer of the Group has a maximum credit limit.

(b) Impairment on trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**20,043**	19,183
Disposal of subsidiaries	**(20,043)**	(120)
Reversal of impairment	**–**	(4,631)
Impairment recognised	**153**	5,611
Net charge to profit or loss	**153**	980
At 31 December	**153**	20,043

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Analysis of allowance for doubtful debts at reporting period end:		
– Continuing operations	**153**	–
– Discontinued operations	**–**	20,043
	153	20,043

As at 31 December 2013, trade receivables of the Group amounted to RMB153,000 (2012: RMB20,043,000) were individually determined to be impaired and full allowance for impairment had been made. These individually impaired receivables were outstanding over 365 days as at the end of the reporting period, taking into account of creditworthiness, past payment history and subsequent settlement of each customer up to date of approval of the financial statements. Accordingly, allowance for doubtful debts of RMB153,000 (2012: RMB5,611,000) was recognised during the year.

No cash deposit or collateral had been placed by the related trade debtors with the Group (2012: Nil).

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables based on the due date that are neither individually nor collectively considered to be impaired are as follows:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**94,048**	310,894
1–180 days	**9,801**	23,944
Over 180 days	**12,486**	3,053
	116,335	337,891

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

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

13. TRADE AND BILLS PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**24,965**	122,662
Bills payables	**–**	60,010
	24,965	182,672

All of the trade and bills payables are expected to be settled within one year. Bills payables as at 31 December 2012 were secured by restricted bank deposits.

Aging analysis of trade payables based on the invoice date and bills payables based on the issuance date of relevant bills as of the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
0–30 days	**8,603**	21,862
31–90 days	**10,190**	118,383
91–365 days	**4,192**	42,293
Over 365 days	**1,980**	134
	24,965	182,672

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

14. BANK LOANS

At 31 December 2013, the bank loans of the Group were secured as follows:

	2013	2012
	RMB'000	*RMB'000*
Bank loans		
– Secured *(note a)*	**–**	70,148
– Unsecured *(note b)*	**3,324**	215,155
	3,324	285,303

Notes:

(a) At 31 December 2012, bank loans of RMB70,148,000 were secured on the properties of a related company and a guarantee provided by that related company. The bank loans bore interest at rates ranging from 1.73% to 9.18% per annum.

(b) At 31 December 2013, the Group's unsecured bank loans of RMB3,324,000 (2012: RMB215,155,000), bearing interest at 3% per annum and by monthly repayment which will be fully repayable on 22 December 2014.

15. PROMISSORY NOTES PAYABLE

	2013	2012
	RMB'000	*RMB'000*
Promissory notes payable to:		
– Yorken Group Limited *(note c)*	**–**	15,145

Notes:

(a) On 11 June 2013, the Group issued promissory note with a principal value of HK$20,000,000 as the consideration for the acquisition of a further 10% equity interest in Giga-World Industry Company Limited. The promissory note was unsecured, with interest rate 2% per annum and repayable on 10 June 2014. The fair value of promissory note was determined at HK$18,480,000 (equivalent to approximately RMB14,605,000) on 11 June 2013 by reference to the valuation performed by an independent firm of professional valuers, Peak Vision. The effective interest rate is 10.39% per annum. The promissory note was carried at amortised cost basis.

Movements of the promissory note for the year ended 31 December 2013 are as follows:

	RMB'000
At 11 June 2013	14,605
Imputed interest charged	24
Early redemption	(15,616)
Loss on early redemption	1,180
Exchange adjustments	(193)
At 31 December 2013	–

(b) On 24 July 2013, the Group issued promissory note with a principal value of HK$50,000,000 as the consideration for the acquisition of a further 30% equity interest in U Young Technology Holdings Limited. The promissory note was unsecured, with interest rate 2% per annum and repayable on 23 July 2014. The fair value of promissory note was determined at HK$46,041,000 (equivalent to approximately RMB36,441,000) on 24 July 2013 by reference to the valuation performed by an independent firm of professional valuers, Peak Vision. The effective interest rate is 10.77% per annum. The promissory note was carried at amortised cost basis.

Movements of the promissory note for the year ended 31 December 2013 are as follows:

	RMB'000
At 24 July 2013	36,441
Early redemption	(39,040)
Imputed interest charged	141
Loss on early redemption	2,994
Exchange adjustments	(536)
At 31 December 2013	–

(c) On 30 November 2011, the Group issued promissory note with a principal value of HK$20,000,000 as part of the consideration for the acquisition. The promissory note was unsecured, with interest rate 1% per annum and repayable on 29 November 2013. The fair value of promissory note was determined at HK$17,147,000 (equivalent to approximately RMB14,055,000) on 30 November 2011 by reference to the valuation performed by an independent firm of professional valuers, Peak Vision. The effective interest rate is 9.11% per annum. The promissory note was carried at amortised cost basis.

Movements of the promissory note for the two years ended 31 December 2012 and 2013 are as follows:

	RMB'000
At 1 January 2012	14,012
Imputed interest charged	1,288
Exchange adjustments	(155)
At 31 December 2012	15,145
Imputed interest charged	407
Early redemption	(15,616)
Coupon interest paid	(220)
Loss on early redemption	704
Exchange adjustments	(420)
At 31 December 2013	–

16. BONDS PAYABLE

The unlisted bonds with principal amount of RMB72,000,000, which were issued on 7 December 2012 as part of the consideration for the extinguishment of convertible notes are unsecured, bearing interest at the rate of coupon 8% per annum payable annually and will mature on 6 December 2017. The unlisted bonds are carried at amortised cost using the effective interest rate at 18.68% per annum.

The bondholder is granted with a put option ("Put Option"), upon serving a written notice by the bondholder to the Company to exercise the Put Option in accordance with the unlisted bond instrument, to require the Company to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest in cash. The Put Option notice shall only be exercised by the bondholder at the date on the 24th or 36th or 48th calendar month of the issue date as stipulated in the unlisted bond instrument. In accordance with the unlisted bond instrument, the Company has a call option ("Call Option") to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest thereon, at the date on the 24th or 36th or 48th calendar month of the issue date. Put Option and Call Option are not closely related to the host liability and is measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss. In the opinion of the directors of the Company, based on the professional valuation conducted by Peak Vision, the fair value of the Put Option (as an derivative financial liability at fair value through profit or loss) less Call Option (as a derivative financial asset at fair value through profit or loss), amounted to RMB12,846,000 at 31 December 2013 (2012: RMB9,304,000).

The movements of the liability and derivatives components of the unlisted bonds during the year are set out below:

	Embedded derivatives at fair value through profit or loss	**Liability component at amortised cost basis**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2012 and 1 January 2013	9,304	49,039	58,343
Interest charged to profit or loss	–	9,158	9,158
Coupon interest paid	–	(5,760)	(5,760)
Change in fair value	3,542	–	3,542
At 31 December 2013	12,846	52,437	65,283
Analysed as:			
As non-current liabilities	–	–	–
As current liabilities	12,846	52,437	65,283
	12,846	52,437	65,283

17. LOAN FROM A FORMER DIRECTOR

Loan from a former director of the Company, Mr. Yan Qixu, was unsecured, interest-free and repayable on 31 January 2014. On 31 December 2012, Mr. Yan Qixu had entered into a letter of undertaking with the Company such that Mr. Yan Qixu agreed to further extend the repayment date from 31 January 2013 to 31 January 2014. During the year, the loan from the former director was applied to set off the consideration for the disposal of Huawei Group as referred to in note 8(a).

18. CONTINGENT LIABILITIES

As at 31 December 2013, the Group had contingent liabilities of RMB66,049,000 (2012: Nil) in respect of the outstanding obligations in relation to purchase contracts made with suppliers on behalf of the independent third party principals under the relevant sales agency agreements made during the year.

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2014 and 17 January 2014, the Company issued 4,102,000 and 1,538,000 ordinary shares respectively upon exercise of 5,640,000 tranche 2 warrants by a warrant holder at a subscription price of HK$1.95 per share.

(b) On 18 February 2014, the Company issued 23,000,000 ordinary shares upon exercise of 23,000,000 unlisted warrants by the warrant holders at a subscription price of HK$2.65 per share.

(c) On 24 March 2014, the Group completed the acquisition of 50% equity interest in Shanghai Fuchao Investment Company Limited ("Shanghai Fuchao") at an aggregated consideration of HK$450 million, comprising HK$40 million in cash, HK$270 million in convertible notes and HK$140 million in consideration shares of the Company. Shanghai Fuchao will be treated as a joint venture and to be accounted for using equity method.

BUSINESS REVIEW

Global LED (light-emitting diode) industry saw both challenges and opportunities in 2013 as the keen competition among the manufacturers of different sizes in the industry, while government policies of promoting environmentally-friendly lighting, notably LED products, for conventional ones around the world stimulated demand.

To capitalise on these developments, the Company streamlined its operations and sharpened its business focus on the manufacturing and sales of LED lighting products and accessories in 2013. It disposed of its entire equity interest in and discontinued the operations of aluminum electrolytic capacitor business. The Group also increased its equity stake in Giga-World Industry Company Limited and U Young Technology Holdings Limited, the manufacturing and assembling of LED lighting products factories, from 50% to 60% and 70% to 100% respectively. The acquisition is part of the Group's ongoing move to integrate and strengthen its LED business in the midstream and downstream of the value chain, following its acquisition of five LED business-related companies in 2011. The Group has been working to achieve synergy among them, and made good progress in 2013.

In 2013, the Company keeps on moving forward in Hong Kong, the PRC and overseas LED lighting businesses. The turnover of the Group for the year ended 2013 has divided into two streams, under the same segment of LED lighting, manufacturing and sale of LED lighting products and parts, and service income. Service income is comprised the income from energy-saving projects and commission income from provision of agency services in selling of LED lighting products to the Company's customers. During the year ended 2013, the Group continued with its efforts in developing global sales distribution channels of its LED lighting products, but also expanded the agency services and reduced the reliance on trading business. As such, the turnover has been reduced from approximately RMB303.6 million for the year ended 2012 to approximately RMB167.2 million for the year ended 2013. The reduction in turnover was primarily attributed to the (i) the reduction of selling prices in LED lighting products as there was keen competition in the LED industry; (ii) the LED lighting products sold under the energy-saving projects were capitalised as property, plant and equipment according to the accounting standard instead of the turnover; and (iii) the Company received commission incomes from the customers instead of providing direct sales of products during the year ended 2013 so as to streamline the business operation.

The adjusted EBITDA decreased by approximately 42.6% to approximately RMB41.2 million (2012: approximately RMB71.8 million). The consolidated loss before taxation for the year ended 2013 was approximately RMB255.6 million which has increased approximately RMB193.3 million as compared to approximately RMB62.3 million (restated) recorded for the year ended 2012. The increase in consolidated loss before taxation was primarily attributed to the impairment loss on goodwill, which was amount to approximately RMB197.0 million, during the year ended 2013.

In 2013, the Company has successfully entered into the retail and wholesale markets in Hong Kong. The Company self-owned brand "LEDUS" LED lighting products have been distributed to the large chained supermarkets and department stores. In addition, there are hundreds of small electrical retail shops are selling "LEDUS" LED lighting products covering all the districts in Hong Kong. In 2013, the Company has completed various projects of the renovation of lighting systems for different premises such as factories, hotels, restaurants, office buildings and retail shops in Hong Kong and Macau. In the PRC market, the Company has worked with Giants, one of the biggest global bicycle manufacturers, to renovate the lighting systems to LED for its more than 2,000 retail shops in the PRC.

In the oversea market, the Company continues to focus on the project based business in Spain. The Company had awarded a tender in late 2011 to renovate 3,300 street lamps for the city of Tarancon in Spain. The installation has been completed in 2013. It was the pilot LED street lamp renovation project in Spain. With the success of the Tarancon project, the Company has also awarded another tender of LED street lamp renovation for the city of Jaen in Spain in 2013. The size of Jaen project is bigger than the Tarancon project, in which about 19,000 street lamps will be renovated to LED. The installation has been started in 2013 and expects to be completed by the third quarter of 2014. These two projects are operating under the energy management contract ("EMC"), of which are entered into between the Spain subsidiary of the Company and the regional governments of Tarancon and Jaen respectively. The duration of the EMC is 16 years. The Company is responsible for supplying of the LED street lamps and the installation. Within the period of executing the EMC, the Company will receive the money of energy consumption saved from the adoption of LED street lamp. These EMC projects will secure the Company with a constant and stable cash inflow. In addition, all the street lamps are manufactured under the Company self-owned brand "LEDUS", and which enables the Company to build up its branding in Europe.

In private sector, the Company has worked with Empark to renovate its lighting system to LED light tubes. Empark, which is founded in 1966 and is one of the biggest car park enterprises in Spain, operates 400,000 car park spaces in 164 cities of Spain, Portugal, United Kingdom, Turkey and Andorra. The Company has started to install LED lighting tubes in 81 car park premises in Spain and Portugal for Empark in 2013 and expects to be completed in early 2014.

The Company notices that branding is more important than ever as it provides differentiation between enterprises, which contributes to the long-term profitability of our business. Brand building is vital to the success of an enterprise, but building brand loyalty is a challenging task that requires sophisticated and high-impact strategies. In 2013, the Company has put resources in advertising and promotion through various mass media channels, such as taxi banner, advertising in TV and bus channels. In order to increase the exposure and brand awareness of "LEDUS", the Company has done interviews with magazines and media, joining the lighting fairs in Hong Kong and oversea, sponsorships to social enterprises. We believe that it will enhance the recognition of our brand name "LEDUS" to our customers.

In order to broaden the source of revenue and diversify the businesses of the Group, the Company has entered into a sale and purchase agreement in November 2013 with the vendor, pursuant to which the Company shall acquire 50% equity interest in Shanghai Fu Chao Investment Company Limited ("Fu Chao"). Fu Chao is principally engaged in sub-leasing a property situated in Jing An District, Shanghai to tenants and provision of property management services for the property. The property is located in a prime location in Shanghai, where is less sensitive to the effect of increase in supply due to decentralised projects. In addition, the property sub-leasing and management business could provide a stable income stream to the Group.

BUSINESS OUTLOOK

Upon the completion of the acquisition of Fu Chao in Shanghai on 24 March 2014, it will be an avenue for the Group to expand its sales of LED lighting business in the PRC and promote its brand name "LEDUS" in the PRC. It is intended that, upon completion of acquisition, the Group will setup a PRC headquarter office inside the property; also the Group will utitlise the outer wall of the property to decorate with its LED lights for promotion and marketing purposes. In addition, the Group will renovate the Shanghai property existing lighting system from traditional lighting to LED lighting so that it will be a pilot project to our potential customers in the PRC.

In March 2014, the Company has entered into a strategic agreement with Jing Da Fu Jewelry (金大福珠寶), one of the biggest jewelry retailers with over 800 chain stores in the PRC. According to the strategic agreement, the Company will provide LED lighting products for the replacement of its existing lighting system over 700 chain-stores.

In the early 2014, the Company has been awarded to be one of the approved LED lighting suppliers of Citybase Property Management Limited, a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (stock code: HK0001), and Ka Wah International Holdings Limited (stock code: HK0173). These achievements have proved that the recognition of LEDUS products by the customers in terms of our products quality and technology.

In the oversea markets, the Company keeps on exploring the opportunities to co-operate with, through our distribution agents, giant department stores in Japan, Europe and USA. The Company anticipates its market shares in retails sector and projects sector to be expanded in 2014.

The outlook of the LED industry is brilliant. Nevertheless, there are challenges from all aspects to the Group such as keen competition in the industry, increasing operating costs, cost and quality controls, technological improvement. The Group will, just as in the past, take a prudent and cautious approach to our development, particularly the efficiency of our production in terms of costs, quality, technology and productivity.

FINANCIAL REVIEW

The consolidated financial information in 2013 includes only the result of the continuing operations of LED lighting business, which comprise sales from the manufacturing and sales of LED lighting products and accessories, income from energy-saving projects and commission income from distribution of LED lighting products of the Group. To facilitate comparison with the result of continuing operation in 2013, the 2012 comparative figures are restated to exclude the result of the discontinued operations which will be separately discussed under the heading “Loss from discontinued operations”.

For the year ended 31 December 2013, the Group recorded a turnover from the continuing operations of approximately RMB167.2 million (2012 (restated): approximately RMB303.6 million), representing a decrease of approximately 44.9%.

Reportable segment adjusted EBITDA, represents “earnings/(loss) before interest, tax, depreciation and amortisation”, is used as one of the measures for reportable segment profit or loss since 2012, which does not take into account of non-operating factors such as the finance costs, non-cash expenses and non-recurring expenses. It therefore more fairly reflects the performance of each segment from its operating activities. The EBITDA of the LED lighting segment for the year ended 31 December 2013 was approximately RMB41.2 million (2012: approximately RMB71.8 million).

The consolidated loss before taxation of the Group for the year ended 31 December 2013 was approximately RMB255.6 million (2012 (restated): approximately RMB62.3 million), represents an increase of approximately 310.3%. The consolidated loss was primarily attributable to the (i) impairment loss of goodwill of approximately RMB197.0 million (2012 (restated): nil); (ii) amortisation of intangible assets of approximately RMB71.4 million (2012 (restated): approximately RMB71.4 million); (iii) no fair value gain on embedded derivative of convertible notes (2012 (restated): approximately RMB11.9 million); (iv) fair value loss on embedded derivatives of bonds of approximately RMB3.5 million (2012 (restated): gain of approximately RMB2.7 million); (v) no loss on extinguishment of convertible notes to bonds (2012 (restated): approximately RMB39.0 million); (vi) loss on early redemption of promissory notes of approximately RMB4.9 million (2012 (restated): approximately RMB5.6 million); and (vii) a decrease in gross profit margin. All the items from (i) to (vi) above were non-cash items which did not affect the cashflow of the Group.

Distribution costs and administrative expenses of the Group’s continuing operations for the year ended 31 December 2013 were approximately RMB15.3 million (2012 (restated): approximately RMB7.9 million) and RMB34.8 million (2012 (restated): approximately RMB27.7 million) respectively.

Impairment loss on goodwill

The impairment loss on goodwill of the Group for the year ended 31 December 2013 was approximately RMB197.0 million (2012 (restated): nil), as during the year ended 2013, the gross profit margin of the LED lighting products, particularly the LED lighting parts businesses, was reduced as compared to 2012. The reduction in gross profit margin was mainly attributable to (i) selling prices of the LED lighting products have been decreased as there was keen competition in the LED lighting industry; (ii) the cost of production was kept on rising such as the labour cost, utilities costs; and (iii) the increased cost of production cannot shift to the customers.

Further, the managements expect that the selling prices of the LED lighting products will keep on decreasing as most of the LED lighting manufacturers will intend to capture more of their market share by reducing the selling prices.

Gross profit margin

The gross profit margin (excluding commission income from selling of LED lighting products and income from energy saving projects) of the Group was approximately 21.8% (2012 (restated): approximately 29.6%). This was mainly attributed to (i) the increase in the operating costs; (ii) the reduction in the selling prices of the LED lighting products in 2013 due to keen competition in the industry.

Finance costs

For the year ended 31 December 2013, finance costs of the Group's continuing operations were approximately RMB9.8 million (2012 (restated): approximately RMB22.5 million), which represents a decrease of approximately 56.4%. This was mainly due to the reduction of imputed interest expenses incurred from the promissory notes and convertible notes.

Loss from discontinued operations

During the year ended 31 December 2013, the manufacturing and sales of aluminum electrolytic capacitors businesses were discontinued. The net loss from these discontinued operations was approximately RMB6.8 million for the year ended 31 December 2013 (2012 (restated): approximately RMB68.9 million), which has decreased by approximately 90.1%. This was mainly due to (i) approximately RMB14.0 million gain on disposal of the subsidiaries was taken into account; (ii) five months results were recorded during the year ended 31 December 2013.

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2013.

Liquidity and financial resources

As at 31 December 2013, the Group had current assets of approximately RMB288.1 million (2012: approximately RMB647.6 million) and current liabilities of approximately RMB147.9 million (2012: approximately RMB609.0 million). The current ratio of the Group as at 31 December 2013 was approximately 1.9 (2012: approximately 1.1) where an improvement in current ratio was recorded. The improvement is mainly due to the substantial reduction of short term bank loans after the disposal of discontinued operations of aluminum electrolytic capacitors business.

As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB42.5 million (2012: approximately RMB65.1 million), wholly representing cash at banks and in hand. Total bank loans were approximately RMB3.3 million (2012: approximately RMB285.3 million), all of which were short term borrowings. As at 31 December 2013, the Group's bank loans were subject to variable interest rates and were denominated in HKD. As at 31 December 2013, there was no outstanding promissory notes (2012: approximately RMB15.1 million), no loan due from a former director (2012: approximately RMB96.3 million) and the bonds were approximately RMB65.3 million (2012: approximately RMB58.3 million). The bond is redeemable only on the 24th month, 36th month, 48th month and finally with the maturity on the 5th anniversary after the bond issue date, namely 6 December 2017.

As at 31 December 2013, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was 3.2 (2012: 39.4). The decrease in gearing ratio as at 31 December 2013 was principally attributable to the decrease in borrowings of the Group by elimination of short terms bank loans after the disposal of discontinued operations of aluminum electrolytic capacitors businesses.

Exchange risk exposure and contingent liabilities

The Group's sales were principally denominated in RMB, Hong Kong Dollars and US Dollars, with the majority denominated in RMB. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during 2013. However, in view of the continuing upward appreciation of RMB against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

As at 31 December 2013, the Group had contingent liabilities of RMB66.0 million (2012: nil) in respect of the outstanding obligations in relation to purchase contracts made with suppliers on behalf of the independent third principals under the relevant sale agency agreements made during the year.

Capital commitment

As at 31 December 2013, the capital commitments contracted but not provided for in respect of the purchase of property, plant and equipment and other non-current assets was approximately RMB2.1 million (2012: approximately RMB8.1 million). There was no outstanding capital commitments authorised but not provided for in respect of property, plant and equipment as at 31 December 2013 (2012: nil).

Employee information

As at 31 December 2013, the Group had over 1,500 employees the majority of whom stationed in the PRC. Total employee remuneration for the year 2013 amounted to approximately RMB29.2 million (2012 (restated): approximately RMB20.7 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to individual's performance. Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills.

Charge on assets

As at 31 December 2013, restricted bank deposits of approximately RMB12.2 million (2012: approximately RMB42.5 million) and property, plant and equipment with a carrying amount of nil (2012: approximately RMB31.2 million) were pledged to secure banking facilities granted to the Group.

Material acquisitions and disposal of subsidiaries and associated companies

On 11 June 2013, Energy First International Limited ("Energy First"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Action Victory Limited ("Action Victory"), pursuant to which Energy First agreed to purchase and Action Victory agreed to sell additional 10% equity interest in Giga-World Industry Company Limited, a non-wholly subsidiary of the Company, at a consideration of HK$20,000,000 (equivalent to approximately RMB15,806,000). The consideration was settled by procuring the Company to issue the promissory notes upon completion.

On 15 July 2013, Shink Link Technology Limited ("Shink Link"), a wholly-owned subsidiary of the Company, as a purchaser entered into a sale and purchase agreement with Mr. Hsu Chih Ming ("Mr. Hsu") as the vendor, pursuant to which Shink Link agreed to purchase and Mr. Hsu agreed to sell the 30% of the entire equity interest of the U Young Technology Holdings Limited, at a consideration of HK$50,000,000 (equivalent to approximately RMB39,750,000). The consideration was settled by procuring the Company to issue the promissory notes upon completion dated 24 July 2013. Details of which, please refer to the announcement of the Company dated 15 July 2013.

On 27 November 2013, Champion Miracle Limited ("Champion Miracle"), an indirectly wholly owned subsidiary of the Company as the purchaser, entered into a sale and purchase agreement with Mr. Fan Lin ("Mr. Fan") as the vendor, pursuant to which Champion Miracle has conditionally agreed to purchase and Mr. Fan has conditionally agreed to sell the 50% of entire equity interest of Shanghai Fu Chao Investment Company Limited (上海富朝投資有限公司) ("Fu Chao"), a company established in the PRC with limited liability at a consideration of HK$450,000,000 (approximately RMB351,562,000). Fu Chao is principally engaged in the sub-leasing of the property located at 1/F to 10F, Block B, Huan Qiu Shi Jie Building, No. 1-5 Wan Huang Du Lu, Jing An, Shanghai, the PRC (the "Property") to tenants and provision of property management services for the Property. The consideration shall be satisfied by Champion Miracle as to HK$20,000,000 in cash upon signing the agreement, HK$20,000,000 in cash, HK$270,000,000 by procuring the Company to issue the convertible bonds to Mr.

Fan or his nominee and HK$140,000,000 by procuring the Company to allot and issue the consideration shares to Mr. Fan upon completion. The acquisition was subsequently completed on 24 March 2014. Details of which, please refer to the announcement of the Company dated 27 November 2013.

Save as disclosed above, during the year ended 31 December 2013, there was no material acquisition and disposal of subsidiaries and associated company by the Group.

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

For the year ended 31 December 2013, neither the Company nor its subsidiaries had purchase, sold or redeemed any of the Company's listed shares.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as described below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, in any time for the year ended 31 December 2013 in due compliance with the code provisions and certain recommended practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This is deviated from the code provision A.2.1.

Mr. Li Wing Sang, who acted as the chairman of the Company during the year ended 31 December 2013, was also responsible for overseeing the general operations of the Group. As the Board would meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance of complying with the code provision A.2.1 of the Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of chairman and chief executive officer.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULESs

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all directors, the Board has confirmed that all directors have complied with the Model Code for the year ended 31 December 2013. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The members of the Audit Committee consist of three independent non-executive directors, namely Mr. Tam Tak Wah, Mr. Lau Wan Cheung and Mr. Ng Wai Hung. Mr. Tam Tak Wak who processes a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The Group's results for the year ended 31 December 2013 and this announcement have been reviewed by the Audit Committee before submission to the Board for approval.

PUBLICATION OF ANNUAL REPORT

The 2013 annual report of the Group will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.techprotd.com) respectively in due course.

By order of the Board
Tech Pro Technology Development Limited
Li Wing Sang
Chairman

Hong Kong, 31 March 2014

As at the date of this announcement, the executive Directors are Mr. Li Wing Sang, Mr. Liu Xinsheng and Mr. Chiu Chi Hong; the independent non-executive Directors are Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung.