珠江轮胎
PEARL RIVER TYRES

PEARL RIVER TYRE (HOLDINGS) LIMITED

(Continued in Bermuda with limited liability)
(Stock Code: 01187)

ANNUAL REPORT 2013

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Liu *(Chairman of the Board and Chief Executive Officer)*
Lo Ka Wai

Non-Executive Director:

Xu Lei

Independent Non-Executive Directors:

Lai Ho Man, Dickson
Wang Xiao Chuan
Wong Lit Chor, Alexis
Liu Hongjun

COMPANY SECRETARY

Chan Pui Shan, Bessie

AUDIT COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Wong Lit Chor, Alexis
Liu Hongjun

REMUNERATION COMMITTEE

Wang Xiao Chuan *(Committee Chairman)*
Lai Ho Man, Dickson
Lo Ka Wai

NOMINATION COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Liu Hongjun
Lo Ka Wai

SHARE OPTION COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Yang Liu
Lo Ka Wai

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Troutman Sanders

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

REGISTERED OFFICE

Bermuda Commercial Bank Building
19 Par-La-Ville Road
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5207, 52/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Bermuda Principal Registrar:

Bermuda Commercial Bank Building
19 Par-La-Ville Road
Hamilton HM 11
Bermuda

Hong Kong Branch Registrar:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01187

WEBSITE

http://www.pearlrivertyres1187.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year under review, the Group recorded revenue of approximately HK$667.3 million. The results of the Group for the financial year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income.

The performance of the Group for the financial year ended 31 December 2013 were mainly contribution from the tyre manufacturing business. Given the stiff competition from radial tyres and the soft overseas market demand (from the Group's overseas customers), the overall performance of the tyre manufacturing business of the Group has been adversely affected. On 11 July 2014, the Company announced that the Group had lost control over Carham Assets Limited ("Carham") and its subsidiary – Guangzhou Pearl River Rubber Tyre Limited ("GPRT") (collectively referred to as the "Carham sub-group"), the companies comprising tyre manufacturing business of the Group, due to the enforcement of the loan securities by the lenders.

Notwithstanding the above, the management of the Company has continued its efforts in carrying out reviews and evaluations on its operation and marketing strategies, whilst leveraging on the network and experience of its management team in exploring new businesses or investment opportunities, including diversifying its business into the petroleum products trading business and semiconductor/electronic products trading, manufacturing and research and development ("R&D"), in order to enhance its future business development and financial position.

At present, the Group has realigned its resources to focus on (i) the construction and development of the semiconductor manufacturing factory; (ii) the trading and R&D of electronic/semiconductor products; and (iii) the sales and trading of petroleum products.

FINANCIAL REVIEW

Continuing operations

For the financial year ended 31 December 2013, the Group has within the meaning of HKFRS 10, consolidated results of GPRT as a subsidiary, due to the executive power granted to a general manager of GPRT appointed by the Group which took effect on 1 January 2013 (herein referred to as "the Consolidation"). Following the Consolidation, the Group reported turnover of HK$667.3 million for the financial year ended 31 December 2013 with gross profit of HK$71.1 million. The turnover represents a decline of approximately 19% from revenue reported by GPRT for financial year ended 31 December 2012 (HK$827.5 million), mainly due to decrease in demand of bias truck tyres for both the domestic and export markets.

The Group's administrative expenses for the year under review was HK$53.0 million, approximately 846% higher as compared to HK$5.6 million (restated) for the comparative year. The higher administrative expenses was mainly a result of the Consolidation, as the administrative expenses of GPRT amounted HK$48.7 million was consolidated (into the Group) whilst only 70% of the expense (approximately HK$31.5 million) was recognized and included in "share of profit of a joint venture" in the comparative financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs of the Group soared to HK$11.8 million in the current year as compared with nil balance (restated) in the comparative year. The finance costs mainly consist of (i) interest expenses of HK$5.4 million arising from the loans from Pacific Union Pte Ltd. ("Pacific Union") and KL-Kepong International Limited ("KL-Kepong"); (ii) interest expenses of HK$3.2 million arising from the convertible bonds issued in the year for fulfillment of the capital requirements in IC Spectrum (Kunshan) Co., Limited ("ICSC"); and (iii) interest expenses of HK$3.2 million arising from bank loans for working capital of GPRT.

The Consolidation, or reclassification of GPRT from an interest in a joint venture to interest in a subsidiary, leads to a one-off gain of approximately HK$80.2 million. Such gain was recognized and resulted from (i) a fair value surplus arising from the fair value of the 70% equity interest in GPRT over its previous carrying amount of investment cost amounting to HK$1.3 million; and (ii) reclassification of the foreign currency translation reserve from equity to profit or loss of HK$78.9 million upon deemed disposal of a joint venture.

Disposal of PRT Capital Pte. Ltd. ("PRT Capital") (Discontinued operation)

As announced in 16 April 2013, the Group completed the disposal of its subsidiary, namely PRT Capital on 16 April 2013 (the "Disposal"). Accordingly, PRT Capital ceased to be a subsidiary of the Group and its financial results are de-consolidated from the Group with effect from 16 April 2013 (herein referred to as the "Discontinued Operation"). For the financial year ended 31 December 2013, the Group recorded operating loss of HK$0.2 million on the Discontinued Operation and a one-off gain of approximately HK$20.6 million arising from the Disposal. Such gain was derived at based on (i) the reclassification of net reserve surplus from the available-for-sale investments from equity to profit or loss amounting to HK$24.9 million; and (ii) the net off with the excess of the carrying amount of the net asset over the consideration amounting to HK$4.3 million upon the Disposal.

Results from continuing operations and Discontinued operation

Total profits attributable to owners of the Company for the financial year under review was approximately HK$86.2 million, after taking into consideration the one-off gains of approximately HK$100.8 million arising from (i) the Consolidation; and (ii) the Disposal.

The basic and diluted earnings per share from the continuing operations and Discontinued Operation for the financial year under review represent HK73.0 cents and HK64.9 cents respectively (2012: HK8.5 cents and HK8.4 cents respectively (restated)).

FINANCIAL POSITION

The Group doubled its total assets from HK$244.7 million (restated) as at 31 December 2012 to approximately HK$786.9 million as at 31 December 2013, mainly due to (i) the Consolidation; and (ii) the prepayment for acquisition of property, plant and equipment for the construction of semiconductor manufacturing factory in Kunshan.

The net asset value of the Group attributable to owners of the Company as at 31 December 2013 amounted to HK$294.1 million when compared to HK$242.8 million (restated) as at 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had cash and cash equivalents amounted to HK$50.6 million (2012: HK$2.4 million (restated)) mainly denominated in Hong Kong dollars, RMB and US dollars.

As at 31 December 2013, the Group had interest-bearing borrowing in an aggregate amount of HK$233.8 million (2012: nil (restated)) denominated in Hong Kong dollars, RMB and US dollars.

As at 31 December 2013, the Group had net current assets of the approximately HK$50.2 million as compared to net current assets of approximately HK$85.7 million (restated) as at 31 December 2012.

The gearing ratio of the Group, defined as the total borrowings to the shareholders' equity, amounted to approximately 0.643 as at 31 December 2013 as compared with nil (restated) as at 31 December 2012.

Financed by convertible bonds, shareholders' loans and corporate bonds

During the year ended 31 December 2013, the Group (i) issued 3% 3-year convertible bonds in the aggregate principal amount of HK$60 million ("2013 CB") to not less than six independent third parties, of which an aggregate principal amount of HK$45 million 2013 CB were converted into 22.5 million ordinary shares of the Company (the "Shares") at a conversion price of HK$2 per Share. Further details of the 2013 CB were set out in the circular of the Company dated 26 December 2012, announcements of the Company dated 4 October 2012, 8 April 2013 and 20 November 2013 respectively; and (ii) obtained loan amounts of HK$82.5 million and HK$67.5 million from Pacific Union and KL-Kepong, both of them were the then substantial shareholders on the date of the shareholder's loan agreements both dated 7 December 2012, respectively. The 2013 CB and loan proceeds has been utilised to finance the construction of the production facilities of ICSC during the year.

During the period from December 2013 up to the date hereof, the Group issued corporate bonds in aggregate principal amounts of HK$51 million to nine independent third parties. The corporate bonds are unsecured, bearing interest rates of not more than 9% per annum and maturity dates ranging from seven to seven-and-a-half years from the respective dates of issue. The net proceeds were placed with banks in Hong Kong and used as general working capital of the Group and to finance any potential investment opportunities of the Group that may arise from time and time.

The management believes that the existing financial resources will be sufficient to meet existing operations as well as existing and future expansion plans and, if necessary, the Group will be able to obtain additional financing with reasonable terms. There is no material effect of seasonality on the Group's borrowing requirements.

PROSPECTS

As set out in the business review section, the Group has realigned its resources to develop and expand (i) the construction and development of the semiconductor manufacturing factory (owned by ICSC); (ii) the trading and R&D of electronic/semiconductor products (commenced in late 2014); and (iii) the trading of petroleum products (commenced in early 2014), as its core businesses and operations. While pursuing the continuous growth of our business in the future, the management remains committed in reviewing its business and operations, including reinforcing its internal control and operational system to ensure that the Group can accommodate the external challenge under the fluctuating economy outlook, as well as enhancing its corporate governance.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing of semiconductor

The management has continued its efforts in the construction and development of the semiconductor manufacturing factory in the PRC, with an aim to expand its business to design, R&D, processing, manufacturing and sale of semiconductor, integrated circuits and new type of electronic components and the provision of related consultancy services in 2016.

Following the completion of the share transfer of 27.21% minority equity interest in ICSC from Kunshan Economic and Technical Development Zone Asset Management Company, a state owned enterprise, to Beijing Zhongying Century Investment Co., Limited ("Zhongying") on 28 February 2014, the management has initiated the construction of production lines in Kunshan, the PRC, including but not limited to the acquisition of the land use rights in respect of the Land (defined below), the construction of the production plant and acquisition of the necessary machineries and equipment for operations.

On 8 July 2014, ICSC entered into a loan agreement with Zhongying, pursuant to which Zhongying agreed to make available a loan in the principal amount of RMB10.0 million to ICSC for the payment of the RMB10.0 million security deposit required for submission of tender for purchase of the land use rights of a parcel of industrial land located at the north of Longfei road and the east of Fuchunjiang road, Kunshan Economic & Technical Development Zone, Kunshan (昆山市開發區龍飛路北側，富春江路東側) measuring approximately 150,481.9 square meters (the "Land") in respect of the project.

In November 2014, ICSC was informed by the Kunshan State Land Resources Bureau (昆山市國土資源局) that it has successfully won the tender. In this regard, a land transfer contract is expected to be entered into between ICSC and Kunshan State Land Resources Bureau (昆山市國土資源局) in November 2014 for the acquisition of the land use rights of the Land to facilitate the construction of semiconductor manufacturing factory at Kunshan, the PRC.

Leveraging on the expertise and industry network of ICSC's management and taking into consideration the current measures/support from the local government in relation to the semiconductor industry, the Group targets to commence the manufacturing of semiconductor in 2016 and is confident that it will contribute positively to the overall performance of the Group.

Trading and research and development of electronic/semiconductor products

To further complement the semiconductor segment, the Company, leveraging on the experience and business network of its management, is expanding into the trading and R&D of semiconductor/electronic products in late 2014. It is expected that such expansion/development will contribute positively to both the Group's performance as well as broaden the customer base and industry networks for future development of the Group's semiconductor business.

Trading of petroleum products

In early 2014, the management, as part of its efforts to diversify the Group's business and earning base, has developed and expanded its business into trading of petroleum products. The Group will continue to leverage on the network and experience of its management team to expand and develop the existing platform of petroleum products trading activities to other petroleum products and commodities.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Placing agreement

On 21 January 2014, the Company entered into the placing agreement with China Times Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed with the Company to place 20,000,000 new shares of HK$0.01 each in the issued share capital of the Company (the "Placing Shares") on a best efforts basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK$2.50 per Placing Share (the "Placing"), representing a discount of approximately 11.66% to the closing price of HK$2.83 per share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 January 2014. The net price to the Company of each Placing Share is approximately HK$2.45. The proceeds was intended to be applied for opportunistic investments when appropriate opportunities arise and where the Directors consider it is in the interest of the Company to do so and/or for general working capital of the Group. The reasons for carrying out the Placing were to raise capital for the Company while broadening the Shareholder's base and capital base of the Company. The Placing was completed on 30 January 2014. The net proceeds amounted to approximately HK$49.2 million was fully utilised as working capital of the Group. Relevant disclosure was made in the announcement of the Company dated 21 January 2014.

Forensic review

On 3 April 2014, the Company established a special investigation committee of the Board (the "Special Investigation Committee") to coordinate and oversee the conduct of the Forensic Review (as defined below). The Special Investigation Committee, through its legal adviser, retained Deloitte & Touche Financial Advisory Services Ltd to conduct a forensic review in relation to the investment in ICSC and the issuance of the 2013 CB ("Forensic Review"). The Forensic Review has been completed. Save and except for certain improvement areas on internal control, the review has not indicated any irregularities. Details of the Forensic Review findings were set out in the Company's announcement dated 15 September 2014 ("Forensic Review Announcement").

Internal control review

The Special Investigation Committee noted that the Forensic Review has pointed to certain areas of internal control which requires further enhancement by the Group. The Company has since reviewed and enhanced the internal control procedures.

As set out in the Forensic Review Announcement, an independent professional firm of internal control consultants ("Internal Control Reviewer") was engaged in September 2014 to perform an assessment of the internal controls over certain corporate governance, financial procedures, systems and internal controls of the Company and ICSC (the "Internal Control Review").

Based on the findings of the Internal Control Reviewer, no material deficiencies were found during the review period, except for the matters relating to the access right to financial reporting system and notification and reporting mechanism for change in board members of ICSC.

The Company has since taken remedial actions after taking into consideration recommendations of the Internal Control Reviewer. The same were also brought to the attention of the Board and the Internal Control Reviewer.

MANAGEMENT DISCUSSION AND ANALYSIS

Having considered the findings set out under the report of the Internal Control Review and all remedial actions taken by the Company, the Directors are of the view that the Group has established adequate internal control policies and procedures in all material respects, and the Group currently maintains an adequate and effective internal control system.

Loss of control over the Carham sub-group and the deconsolidation

In April 2014, Rodez Investments Limited ("Rodez"), a wholly-owned subsidiary of the Company, received demand letters from Pacific Union and KL-Kepong (collectively the "Lenders"), for the repayment of the principal and interest accrued in the sum of HK$86,428,361 and HK$70,360,802 by 11 April 2014 and 30 April 2014 respectively and the occurrence of the event of default. Subsequently, in July 2014, Rodez received further notification from the Lenders, stating that they have exercised their rights and powers under the respective deed of charge by transferring the ownership of the 55 shares and 45 shares in Carham to themselves, following Rodez's failure in fulfilling the settlement by the deadline stipulated in the earlier letter. Details of the matters relevant to the enforcement were set out in the Company's announcement dated 11 July 2014.

The Board considers that the Group has lost its control over Carham as a result the abovementioned transfers. Accordingly, the Directors consider that it is inappropriate to consolidate the financial statements of Carham sub-group into the Group and it is de-consolidated and classified as discontinued operation in the subsequent financial period.

MATERIAL ACQUISITION AND DISPOSAL

As detailed in Note 19 to the consolidated financial statements, following an executive power granted to a general manager of GPRT appointed by the Group with effect from 1 January 2013, the Group has control, within the meaning of HKFRS 10, over GPRT and has consolidated its results into the Group as a subsidiary accordingly.

Acquisition of interest in ICSC

On 23 November 2012, the Group, through Bright Eagle Holdings Limited ("BEH"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with IC Spectrum Co., Limited to acquire 72.79% equity interest in ICSC at consideration of RMB1. This transaction was completed on 22 January 2013.

Disposal of PRT Capital

On 7 December 2012, the Company entered into a conditional share transfer agreement with Pacific Union, the then controlling shareholder of the Company, to dispose of a wholly-owned subsidiary, namely PRT Capital, at consideration of HK$85 million. This transaction was completed on 16 April 2013.

HUMAN RESOURCES

As at 31 December 2013, the Group had a total of employees of 1,412 (including Directors). The remuneration was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly.

The Group's total staff costs including directors' remuneration, for the year ended 31 December 2013 amounted to HK$94.1 million (2012: HK$3.1 million (restated)). To the extent it is necessary, adequate on-job training had been provided to staff in need.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has implemented a social insurance scheme for its PRC staff and mandatory provident fund for its Hong Kong staff in compliance with requirements of the relevant employment regulations in the PRC and Hong Kong respectively.

The Group operates a share option scheme adopted on 21 May 2004 as a part of remuneration of its Directors or employees which has expired on 20 May 2014. During the year ended 31 December 2013, there was no share option granted (2012: 410,000 options). An ordinary resolution was passed by the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company held on 8 September 2014 for the adoption of a new share option scheme.

CONTINGENT LIABILITIES

There was no contingent liability as at 31 December 2013 and 2012.

CAPITAL COMMITMENT

The Group's outstanding capital commitments, which were contracted but not provided for, in the financial statements were HK$108.0 million as at 31 December 2013 (2012: nil (restated)).

CHARGES ON GROUP ASSETS

The Group has pledged the bank deposits, the leasehold buildings and prepaid lease payment in an aggregate carrying amount of HK$87.7 million to secure banking facilities granted to the Group as at 31 December 2013 (2012: nil (restated)).

The Group pledged all its 100 shares or 100% shareholding in Carham to secure the shareholders' loans in an aggregate amount of HK$150 million as at 31 December 2013 (2012: nil).

As at the date hereof, the Group does not have any charges on the abovesaid assets following the enforcement of the loan securities by the Lenders as discussed in paragraph v of Note 39 to the consolidated financial statements.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the Directors are of the opinion that the net exposure is not significant. The majority of the Group's foreign currency transactions and balances are denominated in US dollars.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the financial year ended 31 December 2013.

As disclosed in the Company's announcements dated 27 March 2014, 31 March 2014, 29 April 2014, 18 July 2014 and 25 July 2014 in relation to, among other matters, the postponement of Board meeting and/or delay in publication of the annual results of the Group for the year ended 31 December 2013 and dispatch of 2013 Annual Report, more time is required for the Company to prepare information requested for the former auditor of the Company to complete the audit and finalise the auditor's report to the Shareholders for the year ended 31 December 2013.

As explained in the Company's circular dated 8 August 2014 (the "Circular"), the Company held its annual general meeting on 8 September 2014 ("2014 AGM") (i.e. within fifteen (15) months after the holding of its last annual general meeting on 10 June 2013) to, among others, note the position of the 2013 Annual Report which were not yet ready for presentation to the Shareholders at the 2014 AGM. For details of the businesses transacted at the 2014 AGM, please refer to the Circular.

At the 2014 AGM, after the agenda items set out in the notice convening the 2014 AGM had been dealt with, the Shareholders resolved to adjourn the meeting to a date when the 2013 Annual Report is available for consideration and adoption and to be determined by the Directors (the "Adjourned 2014 AGM"). Accordingly, the 2013 Annual Report will be presented to the Shareholders for consideration and adoption at the Adjourned 2014 AGM.

PRINCIPAL ACTIVITIES

The principal business of the Company is investment holding.

During the year ended 31 December 2013, the principal activities of the Group are manufacturing and marketing of various types of tyres for commercial vehicles and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

From 1 January 2014, the Group's principal activities are the trading of petroleum products and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

RESULTS

The results of the Group for the year ended 31 December 2013 and the financial positions of the Company and the Group as at 31 December 2013 are set out in the consolidated financial statements on pages 41 to 131 of this annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2013 are set out in Note 35 to the consolidated financial statements and on pages 108 to 110 of this annual report respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 December 2013, the aggregate amount of the Company's reserves available for distribution to its owners was HK$278,512,000 (2012: HK$187,312,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2013,

(a) 34% of revenue of the Group and 50% of purchases (not including items which are of a capital nature) of the Group were attributable to the Group's five largest customers and suppliers respectively;

(b) the Group's largest customer accounted for 10% of revenue of the Group whilst the Group's largest supplier accounted for 17% of purchases of the Group.

None of the Directors, their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in any of the five largest customers and suppliers of the Group.

DIVIDENDS

No dividend had been paid during the year ended 31 December 2013 and the Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

SHARE CAPITAL

Details of movements in the authorised and issued and paid-up share capital of the Company during the year ended 31 December 2013 are set out in Note 32 to the consolidated financial statements.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme adopted on 21 May 2004 and expired on 20 May 2014 (the "Scheme") are set out in Note 33 to the consolidated financial statements. An ordinary resolution was passed by the Shareholders at the 2014 AGM for the adoption of a new share option scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company ("Bye-Laws") or the laws in Bermuda which could oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, have purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2013 are set out in Note 15 to the consolidated financial statements.

MATERIAL INTERESTS IN ENTITIES

Details of the Company's subsidiaries are set out in Note 18 to the consolidated financial statements.

BOARD OF DIRECTORS

The following are the Directors as at the date of this report and during the financial year ended 31 December 2013 except where otherwise indicated.

Executive Directors

Yang Liu (Appointed on 18 November 2013 and appointed as chief executive officer of the Company and the Chairman of the Board on 2 January 2014 and 1 September 2014 respectively)
Lo Ka Wai (Appointed on 18 November 2013)
Wang Shu Jie (Resigned on 1 September 2014)
Goh Nan Yang (Resigned as chief executive officer and executive Director on 2 January 2014 and 31 March 2014 respectively)

Non-Executive Directors

Xu Lei (Appointed on 20 November 2013)
Yeow See Yuen (Re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)
Goh Nan Kioh (Resigned as Chairman and non-executive Director on 2 January 2014)
Yeoh Eng Khoon (Retired on 10 June 2013)

Independent Non-Executive Directors

Liu Hongjun
Lai Ho Man, Dickson (Appointed on 18 November 2013)
Wang Xiao Chuan (Appointed on 20 November 2013)
Wong Lit Chor, Alexis (Appointed on 20 November 2013)
Yeow See Yuen (Re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)
Wong Meng Tak (Resigned on 18 November 2013)

Pursuant to Bye-Law 6.1 (f)(1)(A) of the Bye-Laws, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office. Accordingly Mr. Liu Hongjun retired by rotation from office as an independent non-executive Director and re-elected by the Shareholders at the 2014 AGM.

DIRECTORS' REPORT

Pursuant to Bye-law 6.1(e) of the Bye-Laws, a Director appointed to fill a casual vacancy on the Board or as an addition to existing Directors shall hold office until the next following general meeting and shall then be eligible for re-election. Accordingly Mr. Xu Lei, Mr. Yang Liu, Mr. Lo Ka Wai, Mr. Lai Ho Man, Dickson, Mr. Wang Xiao Chuan and Mr. Wong Lit Chor, Alexis retired from their office at the 2014 AGM and eligible for re-election. All of them were re-elected by the Shareholders at the 2014 AGM.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who had been re-elected at the 2014 AGM has a service contract with the Company, or any of its subsidiaries, which is not determinable by the employing entity within one year without payment of compensation, other than statutory compensations.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the connected/related party transactions as disclosed in Note 40 to the consolidated financial statements, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at 31 December 2013 or at any time during the financial year ended 31 December 2013.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules is set out below:

Positions held with the Company

Mr. Yang Liu has been appointed as the chief executive officer of the Company and the Chairman of the Board on 2 January 2014 and 1 September 2014 respectively.

Experience including other directorships held in listed companies

Mr. Lo Ka Wai has been appointed as the independent non-executive director of Sheng Yuan Holdings Limited (stock code: 851), the shares of which are listed on the main board of the Stock Exchange, since March 2014.

DIRECTORS' REPORT

Changes in Directors' emoluments

During the year ended 31 December 2013 and up to the date of this report, certain Directors' remuneration had been revised as follows:

Name of Directors	Revised monthly Directors' remuneration HK$'000	Effective date
Yang Liu	100	1 January 2014
Lo Ka Wai	100	1 January 2014
Xu Lei	30	1 June 2014

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended 31 December 2013.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for those transactions described in Note 40 to the consolidated financial statements headed "Connected/Related Party Transactions", there is no contract of significance in relation to the Group's business between the Company (or any of its subsidiaries) and any controlling shareholder of the Company (or any of its associates).

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

As at 31 December 2013, the interests and short positions of the Directors or chief executives of the Company in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Director	Personal Interests	Approximate percentage of shareholding in the Company	Family Interests	Approximate percentage of shareholding in the Company	Corporate Interests	Approximate percentage of shareholding in the Company
Goh Nan Kioh (Note 1)	1,500,000	1.09%	957,790 (Note 2)	0.69%	1,570,000 (Note 3)	1.14%
Goh Nan Yang (Note 4)	594,000	0.43%	–	–	–	–
Lo Ka Wai	4,000,000	2.90%	–	–	–	–
Yang Liu	33,000,000	23.89%	–	–	–	–

Note 1: Mr. Goh Nan Kioh resigned as non-executive Director on 2 January 2014.

Note 2: These Shares are beneficially held by the spouse and children (under 18 years old) of Mr. Goh Nan Kioh and accordingly he is deemed to be interested in these Shares.

Note 3: These Shares are held (i) as to 610,000 Shares by Cambrew Hong Kong Limited; and (ii) as to 960,000 Shares by Mega First Mining Sdn Bhd, companies which is wholly and beneficially owned by Mr. Goh Nan Kioh.

Note 4: Mr. Goh Nan Yang resigned as executive Director on 31 March 2014.

DIRECTORS' REPORT

The Company does not have any listed debt securities.

Save as disclosed above, as at 31 December 2013, none of the Directors or the chief executives of the Company or any of their associates had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors or the chief executives of the Company or any of their associates had an interest (directly and/or deemed) in the equity in or debt securities of the associated corporations of the Company.

At no time during the year ended 31 December 2013, the Directors or the chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, as far as is known to the Directors and the chief executives of the Company, the interests and short positions of 5% or more, other than a Director or chief executive of the Company, in the issued Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Number of ordinary shares	Number of ordinary shares of the Company held Direct interest	 Deemed interest	Percentage of the issued share capital
Wan Hin Investments Sdn Bhd	–	7,499,976 (Note 1)	5.43%
Arusha Enterprise Sdn Bhd	–	7,499,976 (Note 1)	5.43%
Batu Kawan Berhad	–	7,499,976 (Note 1)	5.43%
Kuala Lumpur Kepong Berhad	–	7,499,976 (Note 1)	5.43%
KL-Kepong International Ltd	7,499,976	–	5.43%

Note 1: Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd which in turn owns 46.19% of Batu Kawan Berhad. Batu Kawan Berhad directly owns 46.57% of Kuala Lumpur Kepong Berhad which in turn owns 100% of KL-Kepong International Ltd. Therefore, Wan Hin Investments Sdn Bhd, Arusha Enterprise Sdn Bhd, Batu Kawan Berhad and Kuala Lumpur Kepong Berhad are deemed to be interested in 7,499,976 Shares beneficially owned by KL-Kepong International Ltd as disclosed above.

As at 31 December 2013, no Director or proposed Director is a director or employee of each of the substantial Shareholders as disclosed above.

Save as mentioned above, as at 31 December 2013, to the Directors' knowledge, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

For the year ended 31 December 2013, the Group has the following continuing connected transactions (as defined in the Listing Rules) which are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules:

(1) Transactions between GPRT and Guangzhou Guang Xiang Enterprises Group Company Limited ("GGXEG") (collectively the "GGXEG Transactions")

(i) Investment and leasing agreement

Pursuant to an asset investment and leasing agreement entered into among GPRT (a 70%-owned subsidiary of the Company), the Company and Guangzhou Rubber Tyre Factory ("GRTF", the former PRC partner owning 30% equity in GPRT and which assets and liabilities were taken over by GGXEG, the existing owner of 30% equity in GPRT) dated 2 November 1994, GPRT agreed to lease from GRTF the exclusive right to use certain machinery for 30 years from 20 December 1993 to 11 December 2013 at RMB2,000,000 per annum.

(ii) License agreement

GRTF and GPRT have entered into a license agreement on 2 November 1994, pursuant to which GRTF has licensed the right to the exclusive use of the trademark "Pearl River" at a monthly license fee of 0.2% of the total monthly sales income derived from the sale of tyres bearing the said trademark. GPRT is entitled to use the said trademark for the period from 1 January 1996 to 11 December 2023.

(iii) Real estate lease contract

Pursuant to a real estate lease contract entered into between GPRT and GRTF dated 30 October 2000, GPRT agreed to lease a piece of land in Wabu Village, Tanbu Town, Huadu, Guangzhou City, Guangdong Province, the PRC with an area of 170,729 sq.m. and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547 sq.m., are mainly used by GPRT for its office, industrial production and operations purposes. The lease term is 20 years from 20 December 2000 at RMB3,508,668 per annum. The lease rental will be revised based on the land use fee and real estate tax actually paid/payable to the government at any time when necessary.

DIRECTORS' REPORT

(iv) Hostel leasing agreement

Pursuant to a leasing agreement entered into between GPRT and GRTF dated 28 October 1999, GPRT agreed to lease a hostel from GRTF with a lease term of 20 years commencing from 1 January 2010 at an annual rental of RMB28,800 for the first five years, thereafter subject to revision based on the then consumer price index.

On 18 April 2006, four supplemental agreements were executed between GPRT and GGXEG pursuant to which the tenure of the respective original agreements in respect of the four prevailing GGXEG Transactions above was amended to 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms, up to the respective date of the original tenure and subject to compliance with the Listing Rules then prevailing, with all other terms stipulated under each of the original agreements in respect of the four prevailing GGXEG Transactions remain unchanged. On 31 December 2008 and 2011, each of the supplemental agreements has renewed automatically for a period of three years from 1 January 2009 to 31 December 2011 and from 1 January 2012 to 31 December 2014 respectively at the same terms.

(2) Transactions between GPRT and Guangzhou International Group Building Management Company Limited ("GIGBM") (collectively the "GIGBM Transactions")

(i) Hostel lease and management agreement

Pursuant to a hostel lease and management agreement entered into between GPRT and GIGBM (a fellow subsidiary of GGXEG) dated 28 January 2010, GPRT agreed to lease a hostel from GIGBM with a lease term commencing from 1 October 2009 to 31 December 2012 where GPRT is given a rental payment exemption period from 1 October 2009 to 31 January 2010. The hostel leased from GIGBM, with a total gross floor area of 20,674 sq.m. for the brick concrete structure and 814 sq.m. for the brick wood structure at an annual rental of RMB 550,768 per annum and RMB 14,555 per annum respectively. The hostel will then be sublet to the factory workers of GPRT. On 31 December 2012, both parties entered into a supplemental agreement to renew at the same terms for a period of three years from 1 January 2013 to 31 December 2015.

DIRECTORS' REPORT

(ii) Leasing agreement

Pursuant to a leasing agreement entered into between GPRT and GIGBM dated 28 January 2010, GPRT agreed to lease a dining hall from GIGBM with a lease term of 3 years commencing from 1 January 2010 to 31 December 2012 at an annual rental of RMB94,705. The total gross floor area of the dining hall is 1,435 sq.m. to use as canteen for the staff of GPRT. On 31 December 2012, both parties entered into a supplemental agreement to renew at the same terms for a period of three years from 1 January 2013 to 31 December 2015.

As announced by the Company on 12 December 2011, the annual cap for the GGXEG Transactions and the GIGBM Transactions for the financial year ended 31 December 2013 was set at HK$9,907,000.

To the best knowledge of the current Directors, the aggregate value of the GGXEG Transactions and the GIGBM Transactions for the year ended 31 December 2013 amounted to approximately HK$9,010,000.

Due to the insufficient evidence available to the current independent non-executive Directors, they are unable to comment whether the above continuing connected transactions had been entered into:

(i) in the ordinary and usual course of the Group's business;

(ii) on normal commercial terms; and

(iii) have been carried out in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

Details of the above continuing connected transactions are set out in Note 40 to the consolidated financial statements.

Material connected/related party transactions which constitute connected transactions under the Listing Rules, entered into by the Group during the year are disclosed in Note 40 to the consolidated financial statements. Other than disclosed therein, there was no other connected transaction of the Group during the year ended 31 December 2013.

DIRECTORS' REPORT

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

SUSPENSION OF TRADING IN SHARES

Trading in the Shares on the Stock Exchange has been suspended since 1 April 2014, and will remain suspended until further notice.

EMOLUMENT POLICY

The emoluments of the employees of the Group are based on their qualifications, experience, responsibilities, performance, competence and skills displayed, market comparables and economic performance of the Group.

The emoluments of the Directors are decided by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme on 21 May 2004, which was expired on 20 May 2014, as an incentive to Directors and eligible employees, details of the scheme are set out in Note 33 to the consolidated financial statements. An ordinary resolution was passed by the Shareholders at the 2014 AGM for the adoption of a new share option scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2013, the Directors are not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 25 to 38 of this annual report.

AUDITOR

The financial statements have been audited by ZHONGHUI ANDA CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the Adjourned 2014 AGM. A resolution will be submitted to the Adjourned 2014 AGM for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company.

Following the resignation of Crowe Horwath (HK) CPA Limited ("Crowe Horwath") as auditor of the Company on 29 September 2014, ZHONGHUI ANDA CPA Limited was appointed as the new auditor of the Company at the special general meeting of the Company held on 27 October 2014 to fill in the vacancy following the resignation of Crowe Horwath.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

i. On 21 January 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 20 million placing shares on a best efforts basis to not less than six independent placees at HK$2.5 per placing share for potential opportunistic investments and/or general working capital of the Group. The issue and allotment of the Shares was completed on 30 January 2014.

ii. On 28 February 2014, a share transfer of 27.21% minority equity interest in ICSC from Kunshan Economic and Technical Development Zone Asset Management Company to Zhongying, as one of the conditions precedent to an investment agreement dated 7 December 2012 (the "Investment Agreement") entered into BEH and Zhongying, was completed.

iii. Subsequent to the reporting period and up to the date hereof, the Group issued corporate bonds to eight independent third parties with aggregate principal amount of HK$41,000,000, bearing interest rates of not more than 9% per annum and maturity dates ranging from seven to seven-and-a-half years from the respective date of issue for working capital of the Group and potential opportunistic investments.

iv. On 8 July 2014, ICSC entered into the loan agreement with Zhongying, pursuant to which Zhongying agreed to make available the 5.6% 5-year loan in the principal amount of RMB10,000,000 to ICSC for the payment of the tender deposit in the amount of RMB10,000,000 as a security for submission of tender for purchase of the land use right in respect of the Land. Further details of the loan agreement was set out in the announcement dated 10 July 2014.

v. On 4 April 2014, Pacific Union issued a demand letter to Rodez, a wholly-owned subsidiary of the Company, demanding repayment of the principal and interest accrued in the sum of HK$86,428,361 by 11 April 2014 and that an event of default had occurred. In response to this, the Company has on behalf of Rodez entered into negotiations with Pacific Union in relation to its demand.

   On 9 July 2014, Rodez received a letter from Pacific Union stating that, as payment had not been received by the payment deadline, it had on 24 April 2014 exercised its rights and powers under the deed of charge by having the ownership of the 55 shares in Carham transferred to itself.

   On 16 April 2014, KL-Kepong issued a demand letter to Rodez demanding repayment of the principal and interest accrued in the sum of HK$70,360,802 by 30 April 2014 and that an event of default had occurred.

   On 26 May 2014, KL-Kepong issued a second demand letter to Rodez demanding repayment of outstanding principal and accrued interest by 9 June 2014. In response to this, the Company has on behalf of Rodez entered into negotiations with KL-Kepong regarding its demand.

   On 11 July 2014, Rodez received a letter from KL-Kepong stating that, as payment had not been received by the payment deadline, it had exercised its rights and powers under the deed of charge by transferring the ownership of the 45 shares in Carham to itself.

   Pacific Union was a substantial Shareholder and controlling Shareholder until 29 November 2013, and that Mr. Goh Nan Kioh, who has a controlling interest in Pacific Union, was a non-executive director and Chairman of the Company until his resignation on 2 January 2014. KL-Kepong was a substantial Shareholder (as defined in the Listing Rules) until 22 April 2013. In spite of the provisions in loan agreements regarding payment of interest every three months, no interest has been paid by the Company since the drawdown of the loans in February 2013. According to records available, the lenders have neither made any demand for payment of the interests in arrears nor declared the occurrence of an event of default pursuant to loan agreements until April 2014.

DIRECTORS' REPORT

As a result of the transfer of the 55 shares in Carham to Pacific Union, the Company's shareholding (through Rodez) in Carham is reduced to 45% with effect from 24 April 2014. With the transfer of the 45 shares in Carham to KL-Kepong, the Company (through Rodez) no longer has any shareholding in Carham with effect from 29 May 2014. This means that the Company no longer has any interest in GPRT.

According to the loan agreements, upon occurrence of an event of default, all amounts, outstanding principal, accrued interest, default interest and any other amount shall become due and payable immediately. The security created by the share charges covers all amounts due under the loan agreements, which include outstanding principal, accrued interest, default interest and any amount payable by the borrower under the terms of the loan agreements and share charges.

The Board considers that the Group no longer has the power to exercise its right as a shareholder and thus lost its control over Carham as a result of the transfer of 55% and 45% equity interests upon the enforcement of the aforesaid security on 24 April 2014 and 29 May 2014 respectively. Accordingly, the Directors consider that it is inappropriate to consolidate the financial statements of Carham sub-group into the Group and it is de-consolidated and classified as discontinued operation in the subsequent period.

Since the Group has been unable to obtain necessary financial information for the subsequent period, the Directors consider that the financial information of Carham sub-group should be de-consolidated with effect from 1 January 2014. According to the Group's accounting policy when the Company loses control of a subsidiary, it will account for as a disposal of the entire interest in that subsidiary. The calculation of the financial impact on de-consolidating Carham sub-group was based on the latest available financial statements of Carham sub-group as at 31 December 2013, which was further set out as below.

Financial impact on de-consolidating Carham sub-group and derecognition of the loans

The net loss on deconsolidating the Carham sub-group is estimated approximately HK$157 million with reference to the net asset value and the foreign currency translation reserve of Carham sub-group attributable to the Company as at 31 December 2013. The gain of the derecognition of the loans is estimated approximately HK$158 million with reference to the fair value of the loan amounts and accrued interests upon the respective enforcement dates of the loan securities. The net profit or loss effect is estimated to be a net gain of approximately HK$1 million and will be accounted in the profit or loss for the year ending 31 December 2014.

On behalf of the Board

Yang Liu
Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 13 November 2014

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yang Liu ("Mr. Yang"), aged 41, was appointed as an executive Director on 18 November 2013 and was subsequently appointed as the Chief Executive Officer of the Company and the Chairman of the Board on 2 January 2014 and 1 September 2014 respectively. He is also a director of various subsidiaries of the Company and a member of the share option committee of the Company (the "Share Option Committee"). Mr. Yang graduated from Shaanxi University of Technology (formerly known as Shaanxi Institute of Technology) with a bachelor degree in engineering, specializing in auto-control. Mr. Yang has more than 10 years' experience in corporate and capital management in semi-conductor industry, and international trading of electronic products and bulk commodity. Mr. Yang is currently the general manager, the executive director and the legal representative of a company in the People's Republic of China with its principal activities in semi-conductor, and international trading of electronic products and bulk commodity. Save as disclosed above, Mr. Yang did not hold any other position with the Company and other members of the Group.

Mr. Lo Ka Wai ("Mr. Lo"), aged 45, was appointed as an executive Director on 18 November 2013. He is a member of each of the nomination committee of the Company (the "Nomination Committee"), the Remuneration Committee and the Share Option Committee. Mr. Lo is a director of various subsidiaries of the Company. He graduated from the University of Wollongong, Australia with a bachelor degree in commerce. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has more than 20 years of experience in financial management and corporate finance. Mr. Lo had been chief financial officer and/or company secretary for various listed companies in Hong Kong and currently is a chief financial officer of a company whose shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, an executive director of National United Resources Holdings Limited (stock code: 254) and independent non-executive directors of Yusei Holdings Limited (stock code: 96) and Sheng Yuan Holdings Limited (stock code: 851), the shares of these three companies are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Lo did not hold any other position with the Company and other members of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Xu Lei ("Mr. Xu"), aged 43, was appointed as a non-executive Director on 20 November 2013. Mr. Xu has had over 15 years of senior executive and operational experiences in the fields of mass media, technological development and cultural promotion in China since completion of a graduate study at Tongji University in China. Mr. Xu had been a senior manager of The China International Cultural Exchange Centre from 1997 to 2001 and has been the president and editor-in-chief of Travel & Leisure Magazine from 2002 to the present. Since 2003, Mr. Xu has gained substantial corporate governance and operational control experiences in the field of broadcasting and media communications in China including as the vice president of an audio and video publishing house, an executive director of a communication technology development company and a cultural investment firm respectively. Through his association with these enterprises, Mr. Xu has built a broad based social and people resource network in the relevant industries. Currently, Mr. Xu is a non-executive Director of Heng Xin China Holdings Limited (stock code: 8046), whose shares are listed on the GEM of the Stock Exchange, since November 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ho Man, Dickson ("Mr. Lai"), aged 41, was appointed as an independent non-executive Director on 18 November 2013. He is the chairman of each of the audit committee of the Company (the "Audit Committee"), Nomination Committee and the Share Option Committee and a member of the Remuneration Committee. He has over 17 years of experience in financial management and auditing. Mr. Lai is the chief financial officer and company secretary of Hosa International Limited (stock code: 2200), a company whose shares are listed on the main board of the Stock Exchange, starting from February 2011 and is primarily responsible for the overall financial affairs. From November 2007 to March 2011, Mr. Lai was the group financial controller of AsiaAlum Group. From January 2007 to October 2007, he was the manager of the finance and accounting department of Brigantine Services Limited. From May 2005 to January 2007, he worked as the manager of the financial control department of CITIC Pacific Ltd. Mr. Lai worked at Kerry Beverage Services Ltd. as an assistant accounting manager from December 2003 to May 2005 and, from September 1996 to October 2003, worked as an assistant manager in KPMG, where he was mainly responsible for the external auditing, initial public offering and due diligence projects of financial institution sector. Mr. Lai graduated from Hong Kong Polytechnic University with a degree of Bachelor of Arts in Accountancy in November 1996. Mr. Lai also received a master's degree in business administration from the University of Birmingham in 2008. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Taxation Institute of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Wang Xiao Chuan ("Mr. Wang"), aged 41, was appointed as an independent non-executive Director on 20 November 2013. He is the chairman of the Remuneration Committee. He graduated from Beijing University of Technology with a master degree in management majoring in finance and mathematics in 2000 and Chengdu University of Technology (formerly known as Chengdu Institute of Technology) with a bachelor degree in Geology in 1993. Mr. Wang has more than 10 years' experience in investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of financial services companies in the People's Republic of China. Mr. Wang is currently the director of Beijing Shuoren Technology Co., Ltd. and a number of companies.

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 56, was appointed as an independent non-executive Director on 20 November 2013. He is a member of the Audit Committee. He graduated from University of Toronto, Canada in 1981 with Bachelor of Arts degree majoring in economics and commerce and has obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 20 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. Mr. Wong is currently an independent non-executive director of each of Inspur International Limited (stock code: 596) and China Fortune Holdings Limited (stock code: 110), the shares of these two companies are listed on the main board of the Stock Exchange.

Mr. Liu Hongjun ("Mr. Liu"), aged 44, was appointed as an independent non-executive Director on 28 September 2012. He is a member of each of the Nomination Committee and the Audit Committee. Mr. Liu is a graduate of Electric Engineering Institute of Hohai University in Nanjing City with a Bachelor degree in Industrial Electrical Automation. Mr. Liu has over 20 years of experience in the semi-conductor industry specialised in chips manufacturing. Mr. Liu is currently a senior manager of Tokyo Electron (Kunshan) Limited.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all Shareholders and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group from time to time to ensure that business activities and decision making possesses are regulated in a proper manner.

The Company had complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, except for the deviations from code provisions A.1.8, A.4.1, A.6.7, C.1.2, D.1.4 and E.1.2 of the CG Code.

Code provision A.1.8 of the CG Code provides that the Company should arrange appropriate insurance cover in respect of legal action against its directors. As it took time for the Company to solicit a suitable insurer at reasonable commercial terms and conditions, the Company subsequently arranged appropriate insurance cover in respect of legal action against its Directors for the period from 10 March 2014 to 9 March 2015.

Code provision A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term and subject to re-election. Mr. Yeow See Yuen (a former independent non-executive Director and re-designated as non-executive Director on 24 April 2014 and subsequently resigned on 16 June 2014), and Mr. Goh Nan Kioh (the former chairman of the Company and former non-executive Director resigned on 2 January 2014) have no specific terms of service but shall retire from office on a rotational basis in accordance with the Bye-Laws.

Code provision A.6.7 of the CG Code provides that independent non-executive Directors and other non-executive Directors should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Goh Nan Kioh (the then chairman and former non-executive Director resigned on 2 January 2014), and Dato Yeoh Eng Khoon (the former non-executive Director retired on 10 June 2013), did not attend the 19th annual general meeting of the Company held on 10 June 2013 (the "2013 AGM") due to they had other business pressing engagement. Mr. Liu Hongjun, the independent non-executive Director, did not attend the special general meetings of the Company both held on 28 January 2013 and 2013 AGM, due to he had other scheduled business engagement.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The management of the Company did not provide a regular monthly update to all members of the Board, but the management keeps providing information and update to the members of the Board irregularly.

Code provision D.1.4 of the CG Code provides that the Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letter of appointment with Mr. Goh Nan Kioh (the former chairman of the Company and non-executive Director resigned on 2 January 2014), and Mr. Yeow See Yuen (the former independent non-executive Director and re-designated as non-executive Director on 24 April 2014 and subsequently resigned on 16 June 2014). However, all Directors were subject to retirement by rotation in accordance with the Bye-Laws and all Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

CORPORATE GOVERNANCE REPORT

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. He should invite the chairman of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. Goh Nan Kioh, the then chairman of the Company, did not attend the 2013 AGM due to he had other business pressing engagement. However, the then chairman of each of the Audit Committee, the Remuneration Committee and Nomination Committee attended the 2013 AGM.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the conduct regarding the securities transactions by Directors. Having made specific enquiries to all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year under review.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board provides direction to management, and approves the aims, strategies and policies of the Company. Owing to the size of the operations of the Company which is fairly small, the Company does not require formal committees to formulate policies and establish broad guidelines in the areas of investment and business risk. The Board is responsible to formulate such policies and guidelines. The management of the Company did not provide a regular monthy update to all members of the Board, but the management keeps providing information and update to the members of the Board irregularly. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

During the year ended 31 December 2013, GPRT, a 70%-owned subsidiary of the Group and is principally engaged in the manufacturing and marketing of various types of tyres for commercial vehicles, has its own separate board of directors which is responsible for formulating and establishing policies and guidelines in the areas of remuneration, investment and business risk.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently consists of seven Directors including two executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors
Mr. Yang Liu *(Chairman of the Board and Chief Executive Officer)*
Mr. Lo Ka Wai

Non-Executive Director
Mr. Xu Lei

Independent Non-Executive Directors
Mr. Lai Ho Man, Dickson
Mr. Wang Xiao Chuan
Mr. Wong Lit Chor, Alexis
Mr. Liu Hongjun

During the reporting period, the role of chairman and chief executive officer are, respectively, performed by the chairman, Mr. Goh Nan Kioh and the chief executive officer, Mr. Goh Nan Yang. Mr. Goh Nan Kioh is a brother of Mr. Goh Nan Yang. Other than this, there is no family relationship among the then Directors.

The current Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has complied with Rule 3.10A of the Listing Rules that the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership.

All Directors have given sufficient time and attention to the affairs of the Group. The executive Directors have sufficient experience to hold the positions so as to carry out their duties effectively and efficiently. The non-executive Director and independent non-executive Directors, who combine to offer diverse industry expertise, serve the important function of providing relevant advise so as to assist the management on formulation of business strategy and ensuring that the Board maintains high standards of financial and other mandatory reporting requirements as well as providing adequate checks and balances for safeguarding the interests of Shareholders and the Company as a whole. The biographical information of the Directors are set out on pages 22 to 24 under the section headed “Biographical Details of Directors”.

CORPORATE GOVERNANCE REPORT

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Audit Committee is delegated the responsibility by the Board of reviewing and monitoring the training and continuous professional development of the Directors and senior management.

Save as the information disclosed in the note of the table below, all Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2013 to the Company.

The individual training record of each Director received for the year ended 31 December 2013 is summarized below:-

Name of Director		(i) Attending or participating in seminars/workshops; or (ii) working in technical committee relevant to the Group's business/directors' duties; or (iii) reading materials in relation to regulatory update
Executive Directors		
Yang Liu	(appointed on 18 November 2013)	✓
Lo Ka Wai	(appointed on 18 November 2013)	✓
Wang Shu Jie	(resigned on 1 September 2014)	✓
Goh Nan Yang	(resigned on 31 March 2014)	✓
Non-executive Directors		
Xu Lei	(appointed on 20 November 2013)	✓
Goh Nan Kioh	(resigned on 2 January 2014)	Note
Independent Non-executive Directors		
Lai Ho Man, Dickson	(appointed on 18 November 2013)	✓
Wang Xiao Chuan	(appointed on 20 November 2013)	✓
Wong Lit Chor, Alexis	(appointed on 20 November 2013)	✓
Liu Hongjun		✓
Yeow See Yuen	(re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)	✓

Note: No record of continuous professional development was provided by Mr. Goh Nan Kioh, the former Chairman and non-executive Director resigned on 2 January 2014.

Non-Executive Director

The non-executive Director and the four independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of semi-conductor, auditing, economic, commerce finance and accounting. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each current independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them is independent under Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Mr. Yeow See Yuen, the former independent non-executive Director and re-designated as non-executive Director on 24 April 2014 (resigned on 16 June 2014) and Mr. Goh Nan Kioh, the former Chairman and non-executive Director, have no set terms of office. Mr. Liu Hongjun, the independent non-executive Director has a fixed term of 3 years commencing on 28 September 2012. Save for the aforesaid, the non-executive Director and the other independent non-executive Directors appointed for an initial of one year which shall be automatically renewable for successive term of one year upon the expiry of the said term and are subject to retirement by rotation in accordance with the Bye-Laws.

Board Meetings

The Company planned in advance four scheduled Board meetings a year at approximately quarterly interval and additional meetings will be held as and when required. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2013, the Board held 8 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director		Number of attendance (note 5)
Executive Directors		
Yang Liu	(appointed on 18 November 2013) (note 1)	2/3
Lo Ka Wai	(appointed on 18 November 2013) (note 1)	2/3
Wang Shu Jie	(resigned on 1 September 2014)	4/8
Goh Nan Yang	(resigned on 31 March 2014)	2/8
Non-executive Directors		
Xu Lei	(appointed on 20 November 2013) (note 2)	1/2
Goh Nan Kioh	(resigned on 2 January 2014)	3/8
Yeoh Eng Khoon	(retired on 10 June 2013) (note 4)	2/2
Independent Non-executive Directors		
Lai Ho Man, Dickson	(appointed on 18 November 2013) (note 1)	2/3
Wang Xiao Chuan	(appointed on 20 November 2013) (note 2)	2/2
Wong Lit Chor, Alexis	(appointed on 20 November 2013) (note 2)	2/2
Liu Hongjun		5/8
Yeow See Yuen	(re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)	6/8
Wong Meng Tak	(resigned on 18 November 2013) (note 3)	4/5

Notes:

1. Mr. Yang Liu, Mr. Lo Ka Wai and Mr. Lai Ho Man, Dickson were appointed on 18 November 2013. Their attendance above was stated by reference to the number of Board meetings held during their respective tenure.

2. Mr. Xu Lei, Mr. Wang Xiao Chuan and Mr. Wong Lit Chor, Alexis were appointed on 20 November 2013. Their attendance above was stated by reference to the number of Board meetings held during their respective tenure.

3. Mr. Wong Meng Tak was resigned on 18 November 2013. His attendance above was stated by reference to the number of Board meetings held during his tenure.

4. Dato Yeoh Eng Khoon was retired on 10 June 2013. His attendance above was stated by reference to the number of Board meetings held during his tenure.

5. For the Board meetings held on 18 November 2013 and 20 November 2013, no records had been kept by the Company. In this regards, attendance cannot be ascertained.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

CORPORATE GOVERNANCE REPORT

General Meetings

During the year ended 31 December 2013, 3 general meetings of the Company were held, being two special general meetings ("SGMs") both held on 28 January 2013 and 2013 AGM held on 10 June 2013.

		Number of attendance	
Name of Director		2013 AGM	SGM
Executive Directors			
Yang Liu	(appointed on 18 November 2013)	N/A	N/A
Lo Ka Wai	(appointed on 18 November 2013)	N/A	N/A
Wang Shu Jie	(resigned on 1 September 2014)	0/1	0/2
Goh Nan Yang	(resigned on 31 March 2014)	0/1	2/2
Non-executive Directors			
Yeoh Eng Khoon	(retired on 10 June 2013)	0/1	2/2
Xu Lei	(appointed on 20 November 2013)	N/A	N/A
Goh Nan Kioh	(resigned on 2 January 2014)	0/1	2/2
Independent Non-executive Directors			
Lai Ho Man, Dickson	(appointed on 18 November 2013)	N/A	N/A
Liu Hongjun		0/1	0/2
Wang Xiao Chuan	(appointed on 20 November 2013)	N/A	N/A
Wong Lit Chor, Alexis	(appointed on 20 November 2013)	N/A	N/A
Yeow See Yuen	(re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)	1/1	2/2
Wong Meng Tak	(resigned on 18 November 2013)	1/1	2/2

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Goh Nan Kioh, the then chairman of the Company and the then Chairman of the Share Option Committee attended the two SGMs both held on 28 January 2013 and the then Chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee attended the 2013 AGM and SGMs to answer questions and collect views of Shareholders.

Board Committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code:

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all committees meetings are circulated to all Board members. To further reinforce independence and effectiveness, each of the Audit Committee, Nomination Committee, and Remuneration Committee have been structured to include all or a majority of independent non-executive Directors. Details of the committees are set out below.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company established the Audit Committee in 1997 with written terms of reference which was revised on 24 August 2012. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises three independent non-executive Directors as follows:

Mr. Lai Ho Man, Dickson *(Chairman)*
Mr. Wong Lit Chor, Alexis
Mr. Liu Hongjun

Terms of reference of the Audit Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Audit Committee was established to review the Group's financial controls, internal controls and risk management systems and make relevant recommendations to the Board. The Audit Committee has been chaired by an independent non-executive Director and all of the Audit Committee members are independent non-executive Directors. The chairman of the Audit Committee possesses appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee also discusses with management the internal control system to ensure an effective internal control system is in place.

The Audit Committee also responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the external auditor's independence, the Group's financial and accounting policies and practices; reviewing the interim and annual reports and financial statements of the Group; monitoring the corporate governance of the Group including compliance with statutory and Listing Rules requirements and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the Company's annual report and interim report before submission to the Board and to focus particularly on:

(i) any changes in accounting policies and practices;
(ii) major judgmental areas;
(iii) significant adjustments resulting from audit;
(iv) the going concern assumptions and any qualifications;
(v) compliance with accounting standards; and
(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2013, the Audit Committee held 3 meetings:–

Name of Director		Number of attendance
Lai Ho Man, Dickson	(note 1)	1/1
Yeow See Yuen	(note 2)	3/3
Liu Hongjun		3/3
Wong Meng Tak	(note 3)	2/2
Wong Lit Chor, Alexis	(note 4)	N/A

Notes:

1. Mr. Lai Ho Man, Dickson was appointed as chairman of the Audit Committee on 18 November 2013. His attendance above was stated by reference to the number of Audit Committee meeting held during his tenure.

2. Mr. Yeow See Yuen ceased to be the Chairman on 18 November 2013 and ceased to be a member of the Audit Committee on 16 June 2014.

3. Mr. Wong Meng Tak ceased to be a member of the Audit Committee on 18 November 2013. His attendance above was stated by reference to the number of Audit Committee meetings held during his tenure.

4. Mr. Wong Lit Chor, Alexis was appointed as a member of the Audit Committee on 24 April 2014.

During the year under review, the Audit Committee had performed the following work:

– reviewed the annual results for the year ended 31 December 2012 and the interim results for the six months ended 30 June 2013;
– discussed with the management of the Company over the completeness, fairness and adequacy of reporting and accounting standards and policies of the Group in the preparation of the interim financial statements for the six months ended 30 June 2013 and annual financial statements for the year ended 31 December 2012;
– reviewed and discussed with the external auditor over the financial reporting of the Company;
– recommended to the Board, for the approval by Shareholders, of the re-appointment of the auditor; and
– reviewed the internal control procedures of the Group.

Remuneration Committee

The Company established the Remuneration Committee in 2005 with written terms of reference. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Remuneration Committee is chaired by an independent non-executive Director. The Remuneration Committee is responsible to make recommendations of remuneration packages of the Directors and senior management of the Company so as to ensure that the Company attracts and retains the Directors and senior management of the Company needed to run the Group successfully.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee currently comprises three members as follows:

Independent Non-executive Directors
Mr. Wang Xiao Chuan *(Chairman)*
Mr. Lai Ho Man, Dickson

Executive Director
Mr. Lo Ka Wai

To the best knowledge of the current Directors, during the year, the Remuneration Committee held 1 meeting for considering the remuneration packages of the proposed new Directors. There was, however, no record as to the minutes and attendance of such meeting.

Name of Director		Number of attendance
Yeow See Yuen	(note 1)	note 7
Lai Ho Man, Dickson	(note 2)	N/A
Goh Nan Kioh	(note 3)	note 7
Wong Meng Tak	(note 4)	note 7
Lo Ka Wai	(note 5)	N/A
Wang Xiao Chuan	(note 6)	N/A

Notes:

1. Mr. Yeow See Yuen ceased to be the Chairman and a member of the Remuneration Committee on 24 April 2014.

2. Mr. Lai Ho Man, Dickson was appointed as a member of the Remuneration Committee on 18 November 2013 and no Remuneration Committee meeting was held after his appointment.

3. Mr. Goh Nan Kioh ceased to be a member of the Remuneration Committee on 2 January 2014.

4. Mr. Wong Meng Tak ceased to be a member of the Remuneration Committee on 18 November 2013. His attendance above was stated by reference to the number of Remuneration Committee meeting held during his tenure.

5. Mr. Lo Ka Wai was appointed as a member of the Remuneration Committee on 2 January 2014.

6. Mr. Wang Xiao Chuan was appointed as the chairman of the Remuneration Committee on 24 April 2014.

7. To the best knowledge of the current Directors, the Remuneration Committee held a meeting on 18 November 2013. There was, however, no record as to the minutes and attendance of such meeting.

The emoluments payable to Directors and senior management of the Company will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendations of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management of the Company are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee with written terms of reference which was revised on 16 October 2013. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

CORPORATE GOVERNANCE REPORT

The Nomination Committee is currently chaired by the independent non-executive Director. The function of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives required) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify suitably qualified individuals to become Directors; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. To enhance the quality of the performance of the Board and to achieve diversity on the Board, the Board adopted on 16 October 2013 its board diversity policy (the "Board Diversity Policy") and delegated certain duties under the said policy to the Nomination Committee.

The Nomination Committee currently comprises three members as follows:

Independent Non-executive Directors
Mr. Lai Ho Man, Dickson *(Chairman)*
Mr. Liu Hongjun

Executive Director
Mr. Lo Ka Wai

To the best knowledge of the current Directors, during the year ended 31 December 2013, the Nomination Committee held 1 meeting for reviewing the composition of the Board and to recommend the nomination of new Directors. There was, however, no record as to the minutes and attendance of such meeting.

Name of Director		Number of attendance
Mr. Lai Ho Man, Dickson	(note 1)	N/A
Mr. Yeow See Yuen	(note 2)	N/A
Mr. Liu Hongjun		note 6
Mr. Goh Nan Kioh	(note 3)	note 6
Mr. Wong Meng Tak	(note 4)	note 6
Mr. Lo Ka Wai	(note 5)	N/A

Notes:

1. Mr. Lai Ho Man, Dickson was appointed as the Chairman of the Nomination Committee on 18 November 2013. No Nomination Committee's meeting was held after his appointment.

2. Mr. Yeow See Yuen was appointed as a member of the Nomination Committee on 18 November 2013. Subsequently, Mr. Yeow See Yuen ceased to be a member of the Nomination Committee on 24 April 2014. No Nomination Committee's meeting was held after his appointment.

3. Mr. Goh Nan Kioh ceased to be a member of the Nomination Committee on 2 January 2014. His attendance above was stated by reference to the number of Nomination Committee's meeting held during his tenure.

4. Mr. Wong Meng Tak ceased to be the Chairman and a member of the Nomination Committee on 18 November 2013. His attendance above was stated by reference to the number of Nomination Committee's meeting held during his tenure.

5. Mr. Lo Ka Wai was appointed as a member of the Nomination Committee on 2 January 2014. No Nomination Committee's meeting was held after his appointment.

6. To the best knowledge of the current Directors, the Nomination Committee held a meeting on 18 November 2013. There was, however, no record as to the minutes and attendance of such meeting.

Apart from the meeting held for the above, the Nomination Committee by passing of written resolutions made recommendations to the Board on the adoption of the Board Diversity Policy and changes made to its terms of reference.

CORPORATE GOVERNANCE REPORT

Share Option Committee

The Company established the Share Option Committee with written terms of reference which was adopted in 2004.

The functions of the Share Option Committee are to implement and administer the share option scheme(s) of the Company including to deal with the issue and allotment of new Shares arising from the exercise of options by grantees; to determine the number of Shares to be offered to eligible participants; to recommend the subscription price of the share options to the Board and to recommend to the Board where it deems necessary, any amendment, modification, addition, or deletion of the share option scheme(s) of the Company.

The Share Option Committee currently comprises three members as follows:

Independent Non-executive Director
Mr. Lai Ho Man, Dickson *(Chairman)*

Executive Directors
Mr. Yang Liu
Mr. Lo Ka Wai

During the year ended 31 December 2013, the Share Option Committee did not hold any meeting.

External Audit

The former auditor of the Company, Crowe Horwath (HK) CPA Limited, resigned on 29 September 2014, and ZHONGHUI ANDA CPA Limited was appointed as new auditor of the Company at the special general meeting of the Company held on 27 October 2014 to fill the vacancy following the resignation of Crowe Horwath.

The Company's existing external auditor, ZHONGHUI ANDA CPA Limited, performs independent statutory audits on the Group's consolidated financial statements for the year ended 31 December 2013. The Audit Committee also has unrestricted access to external auditor as necessary. The Company's external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control system which might come to its notice during the course of audit.

Prior to the commencement of the audit of the Company, the Audit Committee should be received written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

Members of the Audit Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of ZHONGHUI ANDA CPA Limited, and the Audit Committee has recommended to the Board the re-appointment of ZHONGHUI ANDA CPA Limited as the Company's external auditor.

Auditor's Remuneration

Total remunerations of HK$700,000 and HK$720,000 were paid/payable to ZHONGHUI ANDA CPA Limited and Crowe Horwath for their audit of the consolidated financial statements of the Group for the year ended 31 December 2013 respectively. No non-audit services had been rendered from each of ZHONGHUI ANDA CPA Limited and Crowe Horwath for the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

Company Secretary

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Pui Shan, Bessie ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company on 10 December 2013.

Ms. Cheng Kit Sum, Clara, the Group Financial Controller of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2013.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholders to convene a special general meeting

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-Laws and the Bermuda Law. Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Directors for the transaction of any business specified in such requisition; and such meeting shall be called within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the Bermuda Law by written notice at least twenty-one days before the meeting takes place in like manner as the annual general meeting of the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

The number of members necessary for a requisition for putting forward a proposal at a general meeting shall be:

(a) any number of members representing not less than one-twentieth of the total voting rights at the date of the requisition; or

(b) not less than one hundred members.

CORPORATE GOVERNANCE REPORT

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirmation that the requisition is in proper and in order, the Board will proceed with the necessary procedures.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholder at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions set out in the notice of the 2014 AGM were voted by poll and all resolutions set out in the notice of the Adjourned 2014 AGM will be voted by poll.

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The annual report together with the relevant circular are distributed to all the Shareholders at least 20 clear business days before the annual general meeting.

As the 2013 Annual Report was not yet ready for presentation to the Shareholders at the 2014 AGM, the Shareholder resolved to adjourn the meeting. At such, the 2013 Annual Report together with relevant notice of the Adjourned 2014 AGM are to be distributed to all Shareholders at least 20 clear business days before the Adjourned 2014 AGM.

Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 December 2013.

Investor Relations

The Company is committed to open and regular communication and reasonable disclosure of information to its Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

– Delivery of annual and interim reports to all Shareholders;

– Publication of announcements on the annual and interim results on the websites of the Stock Exchange and the Company, and publication of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

– The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

CORPORATE GOVERNANCE REPORT

Internal Control

The Board acknowledges that it has overall responsibility for the Company's internal control system and risk management procedures and the responsibility of day-to-day management of operational risks and the implementation of mitigation measures lies with the Company's management. However, the Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment. The Board has taken measures to improve the internal control system of the Company including the following checks and balance procedures:

The Board has regular board meetings to communicate the operations of the Group and approve significant capital expenditure and payments.

Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, unbudgeted expenditure and material expenditure within the approved budget.

Prior to making significant payment of an approved capital expenditure at subsidiary level, the local management shall duly inform the Board and the relevant payment shall be authorized by a person designated by the Board.

The Finance Department of the head office has monitored the operations at subsidiary level and timely reporting to the Board has been established.

As disclosed in the sub-section headed "Internal control review" in the "Management Discussion and Analysis" section of this report, the Internal Control Review had been conducted by the Internal Control Reviewer.

Based on the findings of the Internal Control Reviewer, no material deficiencies were found during the review period, except for the matters relating to the access right to financial reporting system and notification and reporting mechanism for change in board members of ICSC.

The Company has since taken remedial actions after taking into consideration recommendations of the Internal Control Reviewer. The same were also brought to the attention of the Board and the Internal Control Reviewer.

Having considered the findings set out under the report of the Internal Control Review and all remedial actions taken by the Company, the Directors are of the view that the Group has established adequate internal control policies and procedures in all material respects, and the Group currently maintains an adequate and effective internal control system.

Directors' Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities to prepare the Company's account for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2013, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PEARL RIVER TYRE (HOLDINGS) LIMITED
(Continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Pearl River Tyre (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 131, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2012 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of opening balances and corresponding figures shown in the current year's consolidated financial statements.

As set out in Note 12 to the consolidated financial statements, a wholly owned subsidiary, PRT Capital Pte. Ltd. ("PRT Capital") was disposed of during the year ended 31 December 2013. An amount of approximately HK$20 million relating to the profit on disposal for the year from discontinued operation has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013. No sufficient evidence has been provided to satisfy ourselves, that the profit on disposal for the year from discontinued operation amounting to approximately HK$20 million is fairly stated.

INDEPENDENT AUDITOR'S REPORT

2. Consolidation of a subsidiary and gain on reclassification from interest in a joint venture to interest in a subsidiary

As set out in Note 19 to the consolidated financial statements, Guangzhou Pearl River Rubber Tyre Limited ("GPRT") was accounted for as a subsidiary of the Group commencing on 1 January 2013. An amount of approximately HK$80 million relating to the gain on reclassification from interest in a joint venture to interest in a subsidiary has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013. Subsequently to the end of the reporting period, Carham Assets Limited ("Carham") and its subsidiary, GPRT (collectively the "Carham sub-group") were deconsolidated from the Group since 1 January 2014. As a result, the Group has been unable to obtain the financial information for the period from 1 January 2013. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had controlled GPRT since 1 January 2013 and throughout the year ended 31 December 2013. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, accuracy and completeness of the transactions and the related disclosures in the consolidated financial statements for the year ended 31 December 2013 in relation to the Carham sub-group. The consolidated financial information of the Carham sub-group is set out in the Note 19 to the consolidated financial statements.

In addition, no sufficient evidence has been provided to satisfy ourselves that the gain on reclassification from interest in a joint venture to interest in a subsidiary amounting to HK$80 million is fairly stated.

3. Prepayment for acquisition of property, plant and equipment

Up to the date of this report, we have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the prepayment for acquisition of property, plant and equipment of approximately HK$304 million as at 31 December 2013. There were no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made in the consolidated financial statements.

Any adjustments to the matters as described from points 1 to 3 may have a significant consequential effect on the Group's results for the two years ended 31 December 2012 and 2013, the Group's cash flows for the two years ended 31 December 2012 and 2013 and the financial positions of the Group as at 31 December 2012 and 2013, and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirement of Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 13 November 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 HK$'000	2012 HK$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	6	667,290	–
Cost of sales		(596,193)	–
Gross profit		71,097	–
Other revenue and other net income	7	3,074	4
Gain on reclassification from interest in a joint venture to interest in a subsidiary	19	80,157	–
Selling and distribution expenses		(21,539)	–
Administrative expenses		(53,038)	(5,625)
Other operating expenses		(2,918)	(1,000)
Share of profit of a joint venture		–	15,033
Finance costs	8	(11,796)	–
Profit before taxation	9	65,037	8,412
Income tax	11	57	–
Profit for the year from continuing operations		65,094	8,412
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	12	20,392	575
Profit for the year		85,486	8,987
Attributable to:			
Owners of the Company		86,166	8,987
Non-controlling interests		(680)	–
Profit for the year		85,486	8,987
Profit for the year attributable to owners of the Company arising from:			
Continuing operations		65,774	8,412
Discontinued operation		20,392	575
		86,166	8,987

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year		85,486	8,987
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– Subsidiaries/joint venture's financial statements		17,458	1,417
– Available-for-sale investments		292	859
Fair value gain/(loss) on available-for-sale investments		4,115	(10,697)
		21,865	(8,421)
Reclassification adjustments for:			
– Foreign currency translation reserve		(70,051)	–
– Revaluation reserve		(33,677)	–
		(103,728)	–
Total other comprehensive loss		(81,863)	(8,421)
Total comprehensive income for the year		3,623	566
Attributable to:			
Owners of the company		2,212	566
Non-controlling interests		1,411	–
Total comprehensive income for the year		3,623	566
Earnings per share (Hong Kong cents)			
From continuing and discontinued operations			
– Basic	13	73.0	8.5
– Diluted	13	64.9	8.4
From continuing operations			
– Basic	13	55.7	7.9
– Diluted	13	50.1	7.8
From discontinued operation			
– Basic	13	17.3	0.6
– Diluted	13	14.8	0.6

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	165,701	2	139
Prepaid lease payments	16	16,225	–	–
Prepayment for acquisition of property, plant and equipment	17	303,985	–	–
Investment in an associate	20	–	–	4,475
Investment in a joint venture	19	–	157,057	140,606
Investment in available-for-sale investments		–	–	67,154
Goodwill	21	378	–	–
Total non-current assets		486,289	157,059	212,374
Current assets				
Held for trading investments		–	–	24,661
Inventories	22	150,620	–	–
Trade and other receivables	23	98,243	203	565
Pledged bank deposits	24	1,153	–	–
Cash and cash equivalents	25	50,604	2,426	2,717
		300,620	2,629	27,943
Assets classified as held for sale	26	–	85,058	–
Total current assets		300,620	87,687	27,943
Current liabilities				
Trade and other payables	27	182,070	1,871	15,740
Provisions	29	6,652	118	118
Bank and other borrowings	30	61,447	–	–
Finance lease payables	31	212	–	–
Total current liabilities		250,381	1,989	15,858
Net current assets		50,239	85,698	12,085
Total assets less current liabilities		536,528	242,757	224,459
Non-current liabilities				
Bank and other borrowings	30	158,700	–	–
Convertible bonds	34	12,927	–	–
Deferred tax liabilities	28	574	–	–
Finance lease payables	31	518	–	–
Total non-current liabilities		172,719	–	–
Net assets		363,809	242,757	224,459
EQUITY				
Share capital	32	1,381	1,156	1,051
Reserves	35	292,715	241,601	223,408
		294,096	242,757	224,459
Non-controlling interests		69,713	–	–
Total equity		363,809	242,757	224,459

Approved and authorised for issue by the Board on 13 November 2014.

Yang Liu
Director

Lo Ka Wai
Director

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 Note 35(a)	Revaluation reserve HK$'000 Note 35(b)	Share option reserve HK$'000 Note 35(c)	Equity component of convertible bonds HK$'000 Note 34	Capital reserve HK$'000 Note 35(d)	Foreign currency translation reserve HK$'000 Note 35(e)	Contributed surplus HK$'000 Note 35(f)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	1,051	113,157	46,677	5,474	–	37,344	67,563	109,665	(156,472)	224,459	–	224,459
Changes in equity for 2012:												
Profit for the year	–	–	–	–	–	–	–	–	8,987	8,987	–	8,987
Other comprehensive income/(loss):												
Exchange difference on translations of:												
– Joint venture's financial statements	–	–	–	–	–	–	1,417	–	–	1,417	–	1,417
– Available-for-sale investments	–	–	–	–	–	–	859	–	–	859	–	859
Changes in fair value of available-for-sale investments, net of tax	–	–	(10,697)	–	–	–	–	–	–	(10,697)	–	(10,697)
	–	–	(10,697)	–	–	–	2,276	–	–	(8,421)	–	(8,421)
Total comprehensive income/(loss)	–	–	(10,697)	–	–	–	2,276	–	8,987	566	–	566
Equity-settled share-based transactions	–	–	–	230	–	–	–	–	–	230	–	230
Issue of shares upon exercise of share options	105	23,101	–	(5,704)	–	–	–	–	–	17,502	–	17,502
	105	23,101	–	(5,474)	–	–	–	–	–	17,732	–	17,732
At 31 December 2012	1,156	136,258	35,980	–	–	37,344	69,839	109,665	(147,485)	242,757	–	242,757
At 1 January 2013	1,156	136,258	35,980	–	–	37,344	69,839	109,665	(147,485)	242,757	–	242,757
Changes in equity for 2013:												
Profit for the year	–	–	–	–	–	–	–	–	86,166	86,166	(680)	85,486
Other comprehensive income/(loss):												
Exchange difference on translation of:												
– Subsidiaries' financial statements	–	–	–	–	–	–	15,367	–	–	15,367	2,091	17,458
– Available-for-sale investments	–	–	–	–	–	–	292	–	–	292	–	292
Changes in fair value of available-for-sale investments, net of tax	–	–	4,115	–	–	–	–	–	–	4,115	–	4,115
Reclassification adjustments for:												
– Foreign currency translation reserve	–	–	–	–	–	–	(70,051)	–	–	(70,051)	–	(70,051)
– Revaluation reserve	–	–	(33,677)	–	–	–	–	–	–	(33,677)	–	(33,677)
	–	–	(29,562)	–	–	–	(54,392)	–	–	(83,954)	2,091	(81,863)
Total comprehensive income/(loss)	–	–	(29,562)	–	–	–	(54,392)	–	86,166	2,212	1,411	3,623
Acquisition of subsidiaries (Note 38)	–	–	(6,418)	–	–	(37,344)	–	–	43,762	–	67,721	67,721
Issue of convertible bonds (Note 34)	–	–	–	–	9,053	–	–	–	–	9,053	–	9,053
Issue of shares upon conversion of convertible bonds (Note 34)	225	45,086	–	–	(6,790)	–	–	–	–	38,521	–	38,521
Waiver of a loan from a non–controlling shareholder	–	–	–	–	–	1,553	–	–	–	1,553	581	2,134
	225	45,086	(6,418)	–	2,263	(35,791)	–	–	43,762	49,127	68,302	117,429
At 31 December 2013	1,381	181,344	–	–	2,263	1,553	15,447	109,665	(17,557)	294,096	69,713	363,809

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Operating activities		
Profit before taxation		
— Continuing operations	65,037	8,412
— Discontinued operation	20,392	744
Adjustments for:		
Gain on reclassification from interest in a joint venture to interest in a subsidiary	(80,157)	–
Reversal of impairment loss on property, plant and equipment	(11)	–
Share of profit of a joint venture	–	(15,033)
Amortisation of prepaid lease payments	1,611	–
Depreciation of property, plant and equipment	18,971	27
Equity-settled share-based payments	–	230
Impairment loss on assets classified as held for sale	–	1,000
Interest expense	11,796	–
Plant and equipment written off	148	110
Unrealised gain on foreign exchange	(124)	(900)
Loss on fair value changes of held for trading investments	303	1,340
Interest income	(40)	(5)
Dividend income from held for trading investments	–	(1,335)
Gain on disposal of subsidiary	(20,576)	–
Provision for warranty	3,534	–
	20,884	(5,410)
Decrease in inventories	30,425	–
(Increase)/decrease in trade and other receivables	(18,226)	526
Increase/(decrease) in trade and other payables	8,646	(1,185)
Exchange realignment	3,121	–
Cash generated from/(used in) operations	44,850	(6,069)
Interest received	40	5
Interest paid	(4,266)	–
Net cash generated from/(used in) operating activities	40,624	(6,064)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 HK$'000	2012 HK$'000 (Restated)
Investing activities			
Reclassification from interest in a joint venture to interest in a subsidiary		26,273	–
Decrease in pledged bank deposits, net		2,026	–
Prepayment to acquire property, plant and equipment		(293,500)	–
Purchase of plant and equipment		(31,456)	–
Proceeds from disposal of a subsidiary, net		84,956	–
Cash inflow from acquisition of a subsidiary		1,406	–
Dividend received		–	1,165
Net cash (used in)/generated from investing activities		(210,295)	1,165
Financing activities			
Proceeds from issuance of convertible bonds and other bond		67,200	–
Proceeds from issuance of shares upon exercise of share options		–	17,503
Drawdown of borrowings		730	–
Repayment of borrowings		(1,999)	–
Advance from non-controlling interests		363	–
Advances from/(repayment to) a related party		586	(13,251)
Advances from a director		720	400
Loans from shareholders		150,000	–
Net cash generated from financing activities		217,600	4,652
Net increase/(decrease) in cash and cash equivalents		47,929	(247)
Cash and cash equivalents at beginning of the year		2,470	2,717
Effect of foreign exchange rate changes, net		205	–
Cash and cash equivalents at end of the year	25	50,604	2,470
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents		50,604	2,426
Cash and bank balances classified as held for sale		–	44
		50,604	2,470

The accompanying note forms part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile to Bermuda on 21 October 1994. The Company was registered in Hong Kong as an oversea company pursuant to the Hong Kong Companies Ordinance on 24 May 1999.

The registered office and principal place of business in Hong Kong are as follows:

Registered office	:	Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	:	Suite 5207, 52/F., Central Plaza 18 Harbour Road Wanchai Hong Kong

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

During the year ended 31 December 2013, the Group's principal activities are the manufacturing and marketing of various types of tyres for commercial vehicles and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

From 1 January 2014, the Group's principal activities are the trading of petroleum products and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. HKFRS 11 "Joint Arrangements"

HKFRS 11 "Joint Arrangements" supersedes HKAS 31 "Interests in Joint Ventures" and Hong Kong (SIC) Interpretation 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 defines joint arrangement as an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture. HKFRS 11 requires a single method i.e. equity method, to account for interests in joint ventures and thereby eliminating the proportionate consolidation method.

Previously, the Group accounted for its interests in jointly controlled entities using proportionate consolidation method. These jointly-controlled entities are now accounted for as joint ventures using equity method, by adopting the transitional provisions of HKFRS 11 from 1 January 2012. The adoption of HKFRS 11 resulted in changes in the consolidated amounts reported in the financial statements as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2012

	2012 (as previously reported) HK$'000	Effect of adjustments in relation to HKFRS 11 HK$'000	2012 (as restated) HK$'000
CONTINUING OPERATIONS			
Turnover	579,275	(579,275)	–
Cost of sales	(516,933)	516,933	–
Gross profit	62,342	(62,342)	–
Other revenue and net income	7,452	(7,448)	4
Selling and distribution expenses	(15,905)	15,905	–
Administrative expenses	(37,118)	31,493	(5,625)
Other operating expenses	(4,880)	3,880	(1,000)
Finance costs	(3,479)	3,479	–
Share of profit of a joint venture	–	15,033	15,033
Profit before taxation	8,412	–	8,412
Income tax	–	–	–
Profit for the year from continuing operations	8,412	–	8,412
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	575	–	575
Profit for the year attributable to owners of the Company	8,987	–	8,987
Other comprehensive income/(loss)			
Exchange differences on translation of:			
– Joint venture's financial statements	1,417	–	1,417
– Available-for-sale investments	859	–	859
Fair value loss on available-for-sale investments	(10,697)	–	(10,697)
Total other comprehensive loss	(8,421)	–	(8,421)
Total comprehensive income for the year attributable to owners of the Company	566	–	566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. HKFRS 11 "Joint Arrangements" *(Continued)*

Consolidated Statement of Financial Position

At 31 December 2012

	2012 (as previously reported) HK$'000	Effect of adjustments in relation to HKFRS 11 HK$'000	2012 (as restated) HK$'000
Non-current assets			
Property, plant and equipment	104,010	(104,008)	2
Prepaid lease payments	10,411	(10,411)	–
Investment in a joint venture	–	157,057	157,057
Total non-current assets	114,421	42,638	157,059
Current assets			
Inventories	126,732	(126,732)	–
Trade and other receivables	57,105	(56,902)	203
Pledged bank deposits	2,225	(2,225)	–
Cash and cash equivalents	20,817	(18,391)	2,426
	206,879	(204,250)	2,629
Assets classified as held for sale	85,058	–	85,058
Total current assets	291,937	(204,250)	87,687
Current liabilities			
Trade and other payables	117,070	(115,199)	1,871
Provisions	2,119	(2,001)	118
Bank and other borrowings	44,412	(44,412)	–
Total current liabilities	163,601	(161,612)	1,989
Net current assets	128,336	(42,638)	85,698
Net assets	242,757	–	242,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. HKFRS 11 "Joint Arrangements" *(Continued)*

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 (as previously reported) HK$'000	Effect of adjustments in relation to HKFRS 11 HK$'000	2012 (as restated) HK$'000
Operating activities			
Profit before taxation			
– Continuing operations	8,412	–	8,412
– Discontinued operation	744	–	744
Adjustments for:			
Share of profit of a joint venture	–	(15,033)	(15,033)
Amortisation of prepaid lease payments	943	(943)	–
Bad debts written off	5	(5)	–
Depreciation of property, plant and equipment	14,469	(14,442)	27
Equity-settled share-based payments	230	–	230
Impairment loss on assets classified as held for sale	1,000	–	1,000
Impairment loss on receivables	1,753	(1,753)	–
Write-down of inventories	625	(625)	–
Reversal of write-down of inventories	(2,247)	2,247	–
Interest expense	3,479	(3,479)	–
Plant and equipment written off	308	(198)	110
Unrealised gain on foreign exchange	(900)	–	(900)
Gain on disposal of equipment	(184)	184	–
Loss on fair value changes of held for trading investments	1,340	–	1,340
Interest income	(71)	66	(5)
Dividend income from held for trading investments	(1,335)	–	(1,335)
Reversal of impairment loss on trade receivables	(277)	277	–
Reversal of accrual for sales rebate	(1,753)	1,753	–
	26,541	(31,951)	(5,410)
Increase in inventories	(16,907)	16,907	–
(Increase)/decrease in trade and other receivables	(12,855)	13,381	526
Increase/(decrease) in trade and other payables	15,329	(16,514)	(1,185)
Cash generated from/(used in) operations	12,108	(18,177)	(6,069)
Interest received	71	(66)	5
Interest paid	(3,479)	3,479	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. HKFRS 11 "Joint Arrangements" *(Continued)*

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2012

	2012 (as previously reported) HK$'000	Effect of adjustments in relation to HKFRS 11 HK$'000	2012 (as restated) HK$'000
Net cash generated from/(used in) operating activities	8,700	(14,764)	(6,064)
Investing activities			
Decrease in pledged bank deposits, net	8,995	(8,995)	–
Purchase of plant and equipment	(5,286)	5,286	–
Proceeds from disposal of equipment	281	(281)	–
Dividend received	1,165	–	1,165
Net cash generated from investing activities	5,155	(3,990)	1,165
Financing activities			
Proceeds from issue of shares upon exercise of share options	17,503	–	17,503
Drawdown of borrowings	95,215	(95,215)	–
Repayment of borrowings	(126,973)	126,973	–
Repayment to related parties	(12,819)	(432)	(13,251)
Advances from a director	400	–	400
Net cash (used in)/generated from financing activities	(26,674)	31,326	4,652
Net decrease in cash and cash equivalents	(12,819)	12,572	(247)
Cash and cash equivalents at beginning of the year	32,856	(30,139)	2,717
Effect of foreign exchange rate changes, net	824	(824)	–
Cash and cash equivalents at end of the year, comprising cash and bank balances	20,861	(18,391)	2,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. HKFRS 11 "Joint Arrangements" *(Continued)*

Consolidated Statement of Financial Position
At 1 January 2012

	2012 (as previously reported) HK$'000	Effect of adjustments in relation to HKFRS 11 HK$'000	2012 (as restated) HK$'000
Non-current assets			
Property, plant and equipment	112,697	(112,558)	139
Prepaid lease payments	11,264	(11,264)	–
Investment in a joint venture	–	140,606	140,606
Investment in an associate	4,475	–	4,475
Investment in available-for-sale investments	67,154	–	67,154
Total non-current assets	195,590	16,784	212,374
Current assets			
Held for trading investments	24,661	–	24,661
Inventories	108,202	(108,202)	–
Trade and other receivables	45,440	(44,875)	565
Pledged bank deposits	11,221	(11,221)	–
Cash and cash equivalents	32,856	(30,139)	2,717
Total current assets	222,380	(194,437)	27,943
Current liabilities			
Trade and other payables	115,913	(100,173)	15,740
Provisions	2,101	(1,983)	118
Bank and other borrowings	75,497	(75,497)	–
Total current liabilities	193,511	(177,653)	15,858
Net current assets	28,869	(16,784)	12,085
Net assets	224,459	–	224,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

c. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries, associates and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

d. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied other new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of the audited consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

As set out in an announcement of the Company dated 15 September 2014, the Forensic Review has been completed. Save and except for certain improvement areas on internal control, the review result has not indicated any irregularities against the earlier allegations made by certain former directors of the Company. Accordingly, no financial adjustments need to be made based on the result of the Forensic Review.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in Note 4(x). Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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 Hong Kong Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

(f) Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.35% to 5.26%
Plant and Machinery	4.65% to 20%
Equipment	6.43% to 9.50%
Motor vehicle	20%

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Operating Leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Investments

Investments are recognised and derecognised 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 directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Investments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

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

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

(o) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as equity component of convertible bonds. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(p) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(s) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$20,000 (increased to HK$25,000 starting from 1 June 2012) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(t) Share-based payments

Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(u) 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted 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, unused tax losses or unused tax credits 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, and interests in joint ventures, 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 is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(y) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(aa) Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. KEY ESTIMATES

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.

(i) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment loss of trade receivables

The Group estimates impairment losses of trade receivables resulting from the inability of the customers to make the required payment. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs might be higher than expected and could significantly affect the results of future periods.

(iii) Write-down for obsolescence of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Warranty provision

As explained in Note 29, the Group makes provision for the warranty it gives on products sold based on the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

6. TURNOVER

Turnover of the Group, which is also its revenue, represents the invoiced value of goods sold and services rendered less discounts and returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

7. OTHER REVENUE AND OTHER NET INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)
Other revenue						
Interest income on bank deposits	40	1	–	4	40	5
Total interest income on financial assets not at fair value through profit or loss	40	1	–	4	40	5
Dividends income from listed securities – held for trading	–	–	–	1,335	–	1,335
Government grant received	305	–	–	–	305	–
Others	2,718	–	–	–	2,718	–
	3,063	1	–	1,339	3,063	1,340
Other net income						
Reversal of impairment loss on property, plant and equipment	11	–	–	–	11	–
Gain on foreign exchange	–	3	124	897	124	900
	11	3	124	897	135	900
	3,074	4	124	2,236	3,198	2,240

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000 (Restated)
Interest on bank loans wholly repayable within one year	3,184	–
Interest on convertible bonds	3,179	–
Interest on shareholders' loans	5,392	–
Other interest expenses	41	–
	11,796	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. PROFIT BEFORE TAXATION

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

	Continuing operations		Discontinued operation		Consolidated	
	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)
Cost of inventories	596,193	–	–	–	596,193	–
Bad debts written off	–	–	–	5	–	5
Impairment loss on assets classified as held for sale	–	1,000	–	–	–	1,000
Staff costs (including directors' emoluments)						
– Wages, salaries and other benefits	81,222	2,887	–	–	81,222	2,887
– Equity-settled share-based payment expenses	–	230	–	–	–	230
– Retirement benefit scheme contributions	12,887	30	–	–	12,887	30
Auditor's remuneration						
– current year	1,515	650	–	–	1,515	650
– under provision in the previous financial year	–	70	–	–	–	70
Amortisation of prepaid lease payments (included in administrative expenses) (Note 16)	1,611	–	–	–	1,611	–
Depreciation of property, plant and equipment (Note 15)	18,971	2	–	25	18,971	27
Plant and equipment written off	148	–	–	110	148	110
Reversal of impairment loss on property, plant and equipment	(11)	–	–	–	(11)	–
Loss/(gain) on foreign exchange, net	2,723	(3)	(124)	(897)	2,599	(900)
Loss on fair value changes of held for trading investments	–	–	303	1,340	303	1,340
Operating lease payments:						
– land and buildings	4,967	–	–	–	4,967	–
– machinery	2,524	–	–	–	2,524	–
– hostel	713	–	–	–	713	–
Provision for product warranty (Note 29)	3,534	–	–	–	3,534	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(i) Emoluments of directors and chief executive

The emoluments paid or payable to each of the thirteen (2012: nine) directors who held office during the year were as follows:

	2013						
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Sub-total HK$'000	Share-based payments[1] HK$'000	Total HK$'000
Chairman							
Goh Nan Kioh (resigned on 2/1/2014)	110	–	–	–	110	–	110
Executive directors							
Goh Nan Yang (resigned on 31/3/2014)	75	–	–	–	75	–	75
Yang Liu (appointed on 18/11/2013)	–	–	–	–	–	–	–
Wang Shu Jie (resigned on 1/9/2014)	75	–	–	–	75	–	75
Lo Ka Wai (appointed on 18/11/2013)	–	–	–	–	–	–	–
Non-executive directors							
Xu Lei (appointed on 20/11/2013)	–	–	–	–	–	–	–
Yeoh Eng Khoon (retired on 10/6/2013)	33	–	–	–	33	–	33
Independent non-executive directors							
Yeow See Yuen (re-designated as a non-executive director on 24/4/2014 and resigned on 16/6/2014)	75	–	–	–	75	–	75
Wong Meng Tak (resigned on 18/11/2013)	65	–	–	–	65	–	65
Liu Hongjun	75	–	–	–	75	–	75
Lai Ho Man, Dickson (appointed on 18/11/2013)	22	–	–	–	22	–	22
Wang Xiao Chuan (appointed on 20/11/2013)	21	–	–	–	21	–	21
Wong Lit Chor, Alexis (appointed on 20/11/2013)	21	–	–	–	21	–	21
	572	–	–	–	572	–	572

	2012						
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Sub-total HK$'000	Share-based payments[1] HK$'000	Total HK$'000
Chairman							
Goh Nan Kioh	110	–	–	–	110	–	110
Executive directors							
Goh Nan Yang	75	335	–	–	410	–	410
Wang Shu Jie (appointed as independent non-executive director on 8/11/2012 and re-designated as executive director on 23/11/2012)	11	–	–	–	11	–	11
Non-executive directors							
Yeoh Eng Khoon	75	–	–	–	75	–	75
Independent non-executive directors							
Yeow See Yuen	75	–	–	–	75	–	75
Khoo Teng Keat (resigned on 28/9/2012)	55	–	–	–	55	–	55
Wong Meng Tak	75	–	–	–	75	–	75
Won Tian Loong (appointed on 15/5/2012 and resigned on 8/11/2012)	36	–	–	–	36	230	266
Liu Hongjun (appointed on 28/9/2012)	19	–	–	–	19	–	19
	531	335	–	–	866	230	1,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(i) Emoluments of directors and chief executive *(Continued)*

Notes:

(1) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 4(t).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and Note 33.

(2) During both years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

(3) Goh Nan Yang had also been the Chief Executive Officer of the Company until such position was replaced by Yang Liu on 2 January 2014 and his emolument disclosed above included those of services rendered by him as the Chief Executive Officer.

(ii) Five highest paid employees

Of the five individuals with the highest emoluments, nil (2012: one) was director of the Company whose emoluments are disclosed in Note 10(i). The emoluments of the five (2012: four) individuals other than director of the Company were as follows:

	2013 HK\$'000	2012 HK\$'000
Bonuses	127	123
Salaries and allowances	1,591	2,173
	1,718	2,296

The emoluments of the five (2012: four) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil – HK$1,000,000	5	4

None of the director and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. INCOME TAX

(a) Income tax represents:

	Continuing operations		Discontinued operation		Consolidated	
	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)		(Restated)
Current tax						
– Hong Kong Profits Tax	–	–	–	169	–	169
– PRC Enterprise Income Tax ("EIT")	–	–	–	–	–	–
Deferred Tax						
– Origination of temporary difference (Note 28)	(57)	–	–	–	(57)	–
	(57)	–	–	169	(57)	169

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits derived from or earned in Hong Kong for the current financial year. Hong Kong Profits Tax is provided at 16.5% based on the assessable profit for the year ended 31 December 2012.

The EIT for the year ended 31 December 2013 is 25% (2012: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. INCOME TAX *(Continued)*

(b) A reconciliation of the income tax (credit)/expense applicable to the profit before taxation at the statutory tax rates to income tax (credit)/expense at the effective tax rate of the Group is as follows:

	2013 HK$'000	**2012 HK$'000 (Restated)**
Profit before taxation (from continuing operations)	65,037	8,412
Profit before taxation (from discontinued operation)	20,392	744
	85,429	9,156
Notional tax on profit before taxation, calculated at the rates applicable to profits/(losses) in the tax jurisdictions concerned		
— Mainland China @25% (2012: 25%)	19,455	3,758
— Hong Kong @16.5% (2012: 16.5%)	1,255	(806)
	20,710	2,952
Tax effects of:		
Non-deductible expenses	1,926	976
Non-taxable income	(23,187)	(3,759)
Deferred tax assets not recognised during the year	494	–
Income tax (credit)/expense	(57)	169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. INCOME TAX *(Continued)*

(c) Tax effects relating to each components of other comprehensive income

	2013			2012		
	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000 (Restated)	Tax expense HK$'000 (Restated)	Net-of-tax amount HK$'000 (Restated)
Exchange differences on translation of:						
– Subsidiaries'/joint venture's financial statements	17,458	–	17,458	1,417	–	1,417
– Available-for-sale investments	292	–	292	859	–	859
Available-for-sale investments:						
– Fair value gain/(loss) arising on revaluation of available-for-sale investments	4,115	–	4,115	(10,697)	–	(10,697)
Reclassification adjustments for:						
– Foreign currency translation reserve	(70,051)	–	(70,051)	–	–	–
– Revaluation reserve	(33,677)	–	(33,677)	–	–	–
	(81,863)	–	(81,863)	(8,421)	–	(8,421)

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION

On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union Pte Ltd. to dispose of a wholly-owned subsidiary, namely PRT Capital Pte. Ltd. ("PRT Capital") at a consideration of HK$85 million ("Conditional Disposal"). Pacific Union Pte Ltd., a company incorporated under the laws of Turks and Caicos Islands, is the then controlling shareholder of the Company. The approval for the Conditional Disposal was obtained at the special general meeting of the Company held on 28 January 2013.

The Conditional Disposal was completed on 16 April 2013. Upon completion, the Group lost control over PRT Capital and PRT Capital ceased to be a subsidiary of the Company. The results of PRT Capital under the business segment of investment holding has been presented as discontinued operation for the current and corresponding year.

Analysis of profit for the year from discontinued operation

The results of the discontinued operation included in the profit for the year are set out below:

	2013 HK$'000	2012 HK$'000
(Loss)/profit on discontinued operation for the year	(184)	575
Gain on disposal of discontinued operation	20,576	–
	20,392	575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION *(Continued)*

Analysis of profit for the year from discontinued operation *(Continued)*

The results, net assets and cash flows of PRT Capital are set out below:

(a) The results of the discontinued operation are as follows:

	Note	2013 HK$'000	2012 HK$'000
Turnover		–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and other net income	7	124	2,236
Administrative expenses		(5)	(38)
Other operating expenses		(303)	(1,454)
(Loss)/profit before taxation		(184)	744
Income tax expense		–	(169)
(Loss)/profit for the year from discontinued operation attributable to owners of the Company		(184)	575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION *(Continued)*

Analysis of profit for the year from discontinued operation *(Continued)*

(b) The net assets of PRT Capital at the date of disposal were as follows:

	HK$'000
Investment in an associate	4,475
Investment in listed securities	
– available-for-sale	61,724
– held for trading	24,040
Cash and bank balances	44
	90,283
Impairment	(1,000)
Net assets disposed of	89,283
Revaluation reserve	(33,677)
Foreign currency translation reserve	8,818
Gain on disposal	20,576
Satisfied by:	
Cash consideration	85,000
Net cash inflow arising on disposal:	
Total cash consideration received	85,000
Cash and bank balances disposed of	(44)
	84,956

(c) ***Cash flows from discontinued operation***

	2013 HK$'000	2012 HK$'000
Net cash (outflows)/inflows from operating activities	(1)	346
Net cash inflows from investing activities	1	1,165
Net cash outflows from financing activities	–	(2,537)
Net cash outflows	–	(1,026)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

13. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$86,166,000 (2012: profit of approximately HK$8,987,000) and the weighted average of approximately 118,065,000 ordinary shares (2012: approximately 106,066,000 ordinary shares) in issue during the year calculated as follows:

Profit attributable to owners of the Company (basic)

	2013 HK$'000	2012 HK$'000
From continuing operations	65,774	8,412
From discontinued operation	20,392	575
Total	86,166	8,987

Weighted average number of ordinary shares (basic)

	2013 '000	2012 '000
Issued ordinary shares at 1 January	115,628	105,116
Effect of share options exercises (weighted average)	–	950
Effect of conversion of convertible bonds (weighted average)	2,437	–
Weighted average number of ordinary shares at 31 December	118,065	106,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

13. BASIC AND DILUTED EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$89,345,000 (2012: profit of approximately HK$8,987,000) after adjustment to the interest on convertible bonds of approximately HK$3,179,000 (2012: nil) and the weighted average number of ordinary shares of approximately 137,655,000 (2012: approximately 107,449,000) in issue after taking into account the effect of dilutive potential ordinary shares from convertible bonds (2012: share options) during the year calculated as follows:

Profit attributable to owners of the Company (diluted)

	2013 HK$'000	2012 HK$'000
From continuing operations	68,953	8,412
From discontinued operation	20,392	575
Total	89,345	8,987

Weighted average number of ordinary shares (diluted)

	2013 '000	2012 '000
Weighted average number of ordinary share for the purpose of basic earnings per share	118,065	106,066
Effect of dilutive potential share options	–	1,383
Effect of dilutive potential ordinary shares arising from conversion of convertible bonds	19,590	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	137,655	107,449

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

a. The consolidated profit attributable to owners of the Company includes a profit of HK$43,851,000 (2012: loss of HK$5,607,000) which has been dealt with in the financial statements of the Company.

b. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT

2013

	Buildings HK$'000 (Note 15(a))	Plant and machinery HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Motor vehicle HK$'000 (Note 15(b))	Total HK$'000
Cost:						
At 1 January 2013	–	–	–	11	–	11
Additions	–	1,516	29,210	–	730	31,456
Acquisition of a subsidiary (Note 38(a))	76,025	69,144	3,417	–	–	148,586
Transfer	–	10,295	(10,295)	–	–	–
Written off	–	(1,223)	(62)	–	–	(1,285)
Exchange realignment	2,349	2,299	392	–	–	5,040
At 31 December 2013	78,374	82,031	22,662	11	730	183,808
Accumulated depreciation and impairment:						
At 1 January 2013	–	–	–	9	–	9
Charge for the year (Note 9)	7,952	11,005	–	2	12	18,971
Written off	–	(1,137)	–	–	–	(1,137)
Reversal of impairment loss	–	(11)	–	–	–	(11)
Exchange realignment	122	153	–	–	–	275
At 31 December 2013	8,074	10,010	–	11	12	18,107
Carrying amounts:						
At 31 December 2013	70,300	72,021	22,662	–	718	165,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

2012 (Restated)

	Buildings HK$'000	Plant and machinery HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost:						
At 1 January 2012	–	–	–	595	–	595
Classified as assets held for sale	–	–	–	(584)	–	(584)
At 31 December 2012	–	–	–	11	–	11
Accumulated depreciation and impairment:						
At 1 January 2012	–	–	–	456	–	456
Charge for the year (Note 9)	–	–	–	27	–	27
Classified as assets held for sale	–	–	–	(474)	–	(474)
At 31 December 2012	–	–	–	9	–	9
Carrying amounts:						
At 31 December 2012	–	–	–	2	–	2

Notes:

(a) The buildings were pledged to secure banking facilities granted to the Group (Note 30).

The buildings are situated on a land that is held under medium-term lease.

(b) As at 31 December 2013, the carrying amount of the Group's motor vehicle of HK$718,000 (2012: Nil) was acquired under finance leases.

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FOR THE YEAR ENDED 31 DECEMBER 2013

16. PREPAID LEASE PAYMENTS

	2013 HK$'000	2012 HK$'000 (Restated)
Cost:		
At 1 January	–	–
Acquisition of a subsidiary (Note 38(a))	17,326	–
Exchange realignment	535	–
At 31 December	17,861	–
Accumulated amortisation:		
At 1 January	–	–
Charge for the year (Note 9)	1,611	–
Exchange realignment	25	–
At 31 December	1,636	–
Carrying amount	16,225	–

The Group has pledged the prepaid lease payments to secure banking facilities granted to the Group (Note 30). The leasehold land is held in Mainland China under medium-term lease.

17. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Bright Eagle Holdings Limited ("BEH"), an indirect wholly owned subsidiary of the Company, entered into an investment agreement ("Investment Agreement") dated 7 December 2012 with Beijing Zhongying Century Investment Co. Limited ("Zhongying") pursuant to which BEH and Zhongying agreed to inject HK$291,160,000 and HK$108,840,000 respectively into IC Spectrum (Kunshan) Co., Limited ("ICSC") on the condition that, amongst other things, BEH and Zhongying have become shareholders of ICSC holding 72.79% and 27.21% equity interest respectively ("Kunshan Investment"). The Company made payments to ICSC totaling RMB237,248,000 (equivalents to approximately HK$293,500,000) in seven tranches on 6 February 2013, 2 April 2013, and 3 April 2013. BEH became a shareholder of ICSC on 22 January 2013 and Zhongying became a shareholder of ICSC on 28 February 2014. All of the payments by the Company into ICSC were made before Zhongying had become a shareholder of ICSC.

The prepayments to Zhongying, as set out in the following paragraph, were satisfied by part of: a) shareholders' loans amounting to HK$150,000,000, b) consideration for disposal of PRT Capital to Pacific Union Pte Ltd. ("Pacific Union") amounting to HK$49,298,066 and a loan of HK$35,701,934 due from PRT Capital to the Company was assigned to Pacific Union and c) the net subscription monies from the issuance of the convertible bonds amounting to approximately HK$58,500,000. The excess of HK$2,340,000 was included in current account between the Company and ICSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

ICSC entered into a project transfer agreement and the supplemental agreement (collectively "Project Transfer Agreement") both dated 28 January 2013 with Zhongying for the transfer of buildings and development costs upon completion to ICSC pursuant to which RMB237,248,000 (equivalent to HK$293,500,000) was paid by ICSC to Zhongying and under the written instructions of Zhongying, to its designated entities who were not parties in the Project Transfer Agreement as prepayments. The transfer of the ICSC shares to Zhongying suffered unexpected delay. As a result, the payment to ICSC was also delayed substantially. Such delay caused considerable liquidity pressure on the construction of the project. In order not to adversely affect the construction of the project and to maintain an amicable relation with Zhongying, payment was made to ICSC prior to fulfillment of the conditions precedent as set out in the Investment Agreement. The payments from ICSC to Zhongying was based on the same reason and there is no prohibition in the Project Transfer Agreement for ICSC to pay Zhongying prior to receiving all capital contribution.

The Board has duly approved the Investment Agreement and the transactions contemplated thereunder. But there were doubts as to whether the payments of RMB237.2 million under the Investment Agreement and the Project Transfer Agreement had been properly authorized by the Board. The transfer was made before notified or sought approvals from the Board. Accordingly the Board has on 31 March 2014 approved, confirmed and ratified the said payments. The Company's legal advisers have confirmed that upon ratification by the Board, the said payments were duly authorized, valid and legally binding on the Company.

The Board did not consider recoverability of the prepayments as an issue because, as of the date hereof, ICSC was informed by the Kunshan State Land Resources Bureau* (昆山市國土資源局) (the "Bureau") that it successfully won the tender, and the Bureau then approved and issued a land transfer contract that the Bureau agrees to transfer the land use rights of a parcel of industrial land (where the above-said buildings are located) to ICSC for its semi conductor business in Kunshan. Despite the fact that the building ownership certificate of the buildings and the land use rights certificate of the land have not been obtained as at the date of this report, the Directors determine to recognize the payments for those buildings and the land use rights as property, plant and equipment and prepaid lease payment respectively on the grounds that they expect the transfer of those legal titles in future should have no major difficulties and the Group is in substance controlling the use rights of those buildings and that parcel of land.

Accordingly, the prepayment for the transfer of buildings and development costs will be reclassified to property, plant and equipment as construction-in-progress in the consolidated financial statements of the Company for the year ending 31 December 2014.

* for identification purposes only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name	Place/date of establishment or incorporation	Authorised/ issued and fully paid-up share capital	Proportion of ownership of interest		Principal activities
			Held by the Company	Held by subsidiaries	
Guangzhou Pearl River Rubber Tyre Limited ("GPRT")	PRC/ 11 December 1993	US$43,202,166	–	70%	Manufacturing and marketing of various types of tyres for commercial vehicles
Carham Assets Limited* ("Carham")	The British Virgin Islands/ 1 September 1997	US$50,000/ US$2	–	100%	Investment holding
Rodez Investments Limited ("Rodez")	The British Virgin Islands/ 5 July 2011	US$50,000/ US$1	100%	–	Investment holding
Tech One Investments Limited	The British Virgin Islands/ 25 September 2012	US$50,000/ US$1	100%	–	Investment holding
BEH#	Hong Kong/ 27 September 2012	HK$10,000/ HK$1	–	100%	Investment holding
ICSC△	PRC/ 16 November 2005	US$215,700,000/ US$33,955,379	–	72.79%	Design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services
Charm Leader Investments Limited	Hong Kong/ 18 October 2013	HK$10,000/ HK$1	100%	–	Maintaining the corporate office
Win Million Holdings Limited	Hong Kong/ 2 August 2013	HK$10,000/ HK$1	100%	–	Dormant
Lucky Ascent Investments Limited	Hong Kong/ 1 November 2013	HK$10,000/ HK$1	100%	–	Maintaining the corporate office

* Interests held by Rodez

\# Interests held by Tech One Investments Limited

△ Representing a sino-foreign equity joint venture established in the PRC and owned by BEH

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FOR THE YEAR ENDED 31 DECEMBER 2013

18. SUBSIDIARIES *(Continued)*

The following tables lists out the information relating to each of the Group's subsidiaries which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	GPRT 2013 HK$'000	ICSC 2013 HK$'000
Place of establishment and operation	PRC	PRC
Proportion of ownership interests and voting rights held by NCI	30%	27.21%
Current assets	288,786	1,499
Non-current assets	181,208	303,986
Current liabilities	(238,403)	–
Non-current liabilities	(574)	(303,986)
Net assets	231,017	1,499
Carrying amount of NCI	69,305	408
Revenue	667,290	–
Loss for the year	(2,147)	(131)
Total comprehensive income	4,807	10,371
Loss allocated to NCI	(644)	(36)
Dividend paid to NCI	–	–
Cash inflow from operating activities	43,814	93
Cash outflow from investing activities	(29,071)	(293,500)
Cash (outflow)/inflow from financing activities	(3,049)	293,500
Net increase in cash and cash equivalents	11,694	93

19. INVESTMENT IN A JOINT VENTURE

Particulars of the joint venture as at 31 December 2012 are as follows:

Name	Place/date of establishment/ place of operation	Authorised/ fully paid-up registered capital	Indirect attributable equity interest	Principal activities
GPRT	PRC/11 December 1993/ PRC	US$43,202,166	70%	Manufacturing and marketing of various types of tyres for commercial vehicles

GPRT was established as a sino-foreign joint venture under the Chinese Joint Venture Law. The GPRT is 70% owned by a wholly-owned subsidiary of the Company, Carham and 30% owned by Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG"), a state-owned enterprise established in Guangzhou, the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19. INVESTMENT IN A JOINT VENTURE *(Continued)*

With effect from 1 January 2013, a general manager of GPRT, appointed by the Group, has the authority on policy setting, making of investment plans, selection of suppliers, approving payment, making other daily management decisions in GPRT, whereby the Group has right to expose the variable returns from its involvement with GPRT and has the ability to affect those returns through its power over GPRT. Accordingly, the Directors are of opinion that the Group has control, within the meaning of HKFRS 10, over GPRT which has therefore been accounted for as a subsidiary of the Group commencing on 1 January 2013. Upon reclassification from interest in a joint venture to interest in a subsidiary on 1 January 2013, a gain of HK$80,157,000 was recognised in the current year's profit or loss and the analysis of the gain is as below:

Analysis of gain on reclassification from interest in a joint venture to interest in a subsidiary:

	2013 HK$'000
Group's share of net assets immediately before the reclassification	(157,057)
Realisation of foreign currency translation reserve immediately before the reclassification	78,868
Group's share of net assets of fair value on business combination (Note 38)	158,346
Gain on reclassification from interest in a joint venture to interest in a subsidiary	80,157

Subsequent to the end of reporting period, the financial information of Carham and its subsidiary, GPRT (collectively the "Carham sub-group") were deconsolidated from the Group with effect from 1 January 2014. The consolidated statement of profit or loss and other comprehensive income of the Carham sub-group for the year ended 31 December 2013 are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income of Carham Sub-Group

For the year ended 31 December 2013

	HK$'000
Turnover	667,290
Cost of sales	(596,193)
Gross profit	71,097
Other revenue and net income	3,074
Gain on reclassification from interest in a joint venture to interest in a subsidiary	80,157
Selling and distribution expenses	(21,539)
Administrative expenses	(48,743)
Other operating expenses	(2,918)
Finance costs	(3,184)
Profit before taxation	77,944
Income tax	57
Profit for the year	78,001
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translation of a subsidiary	6,956
Reclassification adjustment for foreign currency translation reserve	(78,868)
Total other comprehensive loss	(71,912)
Total comprehensive income for the year	6,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19. INVESTMENT IN A JOINT VENTURE *(Continued)*

The consolidated statement of financial position of the Carham sub-group as at 31 December 2013 are as follows:

Consolidated Statement of Financial Position of Carham Sub-Group

At 31 December 2013

	HK'000
ASSETS AND LIABILITIES	
Non-current assets	
Property, plant and equipment	164,983
Prepaid lease payments	16,225
Total non-current assets	181,208
Current assets	
Inventories	150,620
Trade and other receivables	98,243
Pledged bank deposits	1,153
Cash and cash equivalents	38,858
Total current assets	288,874
Current liabilities	
Trade and other payables	170,423
Provisions	6,534
Bank and other borrowings	61,447
Total current liabilities	238,404
Net current assets	50,470
Total assets less current liabilities	231,678
Non-current liabilities	
Deferred tax liabilities	574
Total non-current liabilities	574
Net assets	231,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19. INVESTMENT IN A JOINT VENTURE *(Continued)*

The consolidated statement of cash flows of the Carham sub-group for the year ended 31 December 2013 are as follows:

Consolidated Statement of Cash Flows of Carham Sub-Group

For the year ended 31 December 2013

	HK$'000
Net cash generated from operating activities	43,798
Net cash used in investing activities	(29,071)
Net cash used in financing activities	(3,049)
Net increase in cash and cash equivalents	11,678
Cash and cash equivalents at beginning of year	26,367
Effect of foreign exchange rate changes, net	813
Cash and cash equivalents at end of year	38,858
Analysis of balances of cash and cash equivalents	
Cash and cash equivalents	38,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

20. INVESTMENT IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Investment in an associate	–	–*

Particulars of the associate as at 31 December 2012 are as follows:

Name	Place/date of establishment	Authorised/ Issued and fully paid-up share capital	Indirect attributable equity interest	Principal activities
Thames Electronics Sdn. Bhd.	Malaysia/ 30 January 2003	RM100,000	28.4%	Investment holding

* The amount of investment in an associate of HK$4,475,000 had been reclassified as assets held for sale in 2012 (Note 26). The associate was disposed of during the year through the disposal of a subsidiary on 16 April 2013 (Note 12).

21. GOODWILL

	$'000
Cost:	
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Acquisition of a subsidiary (Note 38(b))	378
At 31 December 2013	378
Accumulated impairment losses:	
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Impairment loss	–
Carrying amount:	
At 31 December 2013	378
At 31 December 2012	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

22. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2013 HK$'000	2012 HK$'000 (Restated)
Raw materials	53,594	–
Work-in-progress	9,707	–
Finished goods	87,319	–
	150,620	–

23. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000 (Restated)
Trade receivables	129,600	–
Less: allowance for impairment loss (Note 23(b))	(51,772)	–
	77,828	–
Other receivables	11,233	203
Loan and receivables	89,061	203
Deposits paid to suppliers	9,142	–
Prepayments and deposits	40	–
	98,243	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

The following is an aging analysis of trade receivables based on invoice dates:

	2013 HK$'000	2012 HK$'000 (Restated)
Less than one year	75,625	–
More than one year but less than two years	763	–
More than two years	53,212	–
	129,600	–
Less: allowance for impairment loss	(51,772)	–
	77,828	–

The normal credit terms of trade receivables range from 7 to 30 days.

(b) Impairment of 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 movement in the allowance for impairment loss during the year, including both specific and collective loss components, is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
At 1 January	–	–
Acquisition of a subsidiary	50,295	–
Exchange realignment	1,477	–
At 31 December	51,772	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

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

	2013 HK$'000	2012 HK$'000 (Restated)
Neither past due nor impaired	26,573	–
Less than one year past due	49,052	–
More than one year but less than two years past due	763	–
More than two years past due	1,440	–
	77,828	–

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 have not been a significant change in credit quality and the balances are still considered fully recoverable. In addition, in respect of receivables of HK$77,828,000 (2012: nil (restated)), the Group had received bank's acceptance bills for HK$37,434,000 (2012: nil (restated)) during the year. The maturity period of these bank's acceptance bills is 3-12 months. The Group does not hold any collateral over the remaining balances.

(d) The analysis by currency of trade and other receivables is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong Dollar	–	143
Renminbi	76,024	–
United States Dollar	22,219	60
	98,243	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

24. PLEDGED BANK DEPOSITS

The weighted average interest rate of the short-term deposits which were held by the Group at the end of the reporting period was 2% (2012: 2%) per annum.

The Group's short-term deposits of HK$1,153,000 (2012: Nil (restated)) were denominated in Renminbi and pledged to licensed banks as security for bank loans (Note 30) as at 31 December 2013.

25. CASH AND CASH EQUIVALENTS

	2013 HK$'000	2012 HK$'000 (Restated)
Cash at bank and on hand, and cash and cash equivalents in the consolidated statement of financial position	50,604	2,426
Cash at bank and on hand classified as held for sale (Note 26)	–	44
Cash and cash equivalents in the consolidated statement of cash flows	50,604	2,470

The analysis by currency of cash and cash equivalents is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong Dollar	10,016	61
Renminbi	21,298	–
Ringgit Malaysia	220	1,893
United States Dollar	19,070	516
	50,604	2,470

Renminbi is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

26. ASSETS CLASSIFIED AS HELD FOR SALE

On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union Pte Ltd. to dispose of a wholly owned subsidiary PRT Capital at a consideration of HK$85 million.

The disposal of PRT Capital was completed on 16 April 2013 (Note 12).

The assets of PRT Capital classified as assets held for sales and presented separately in the consolidated statement of financial position as at 31 December 2012:

	Notes	HK$'000
Investment in an associate	20	4,475
Investment in listed securities		
— available-for-sale*		57,316
— held for trading		24,218
Other receivables and prepayment		5
Cash and bank balances	25	44
		86,058
Impairment		(1,000)
Assets classified as held for sale		85,058

* It relates to an investment in D&O Green Technologies Berhad ("D&O"), a company incorporated in Malaysia and listed in Bursa Malaysia Securities Berhad, The carrying value represents the fair value of D&O based on the closing bid price as at the end of the reporting period.

27. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000 (Restated)
Trade payables	83,377	–
Other payables	81,615	–
Amount due to a director	1,120	400
Amount owing to non-controlling interests	6,135	–
Amount owing to a related party(1)	722	136
Accruals	5,657	1,335
Financial liabilities measured at amortised cost	178,626	1,871
Sales deposits received	3,444	–
	182,070	1,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27. TRADE AND OTHER PAYABLES *(Continued)*

The amounts owing to a director and a related party are non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

The amount owing to a non-controlling interest is unsecured, interest-free and have no fixed term of repayment.

Note:

The related party refers to:

	2013 HK$'000	2012 HK$'000 (Restated)
Cambrew Asia Limited, a company incorporated in the Cayman Islands, in which a director has substantial financial interests	722	136

The analysis by currency of trade and other payables is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong Dollar	11,042	1,654
Renminbi	168,699	–
Ringgit Malaysia	722	217
United States Dollar	1,607	–
	182,070	1,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables, based on invoice dates, as at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Less than one year	73,910	–
More than one year but less than two years	159	–
More than two years	9,308	–
	83,377	–

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets not recognised:

As at 31 December 2013, subject to the agreement of the local tax authorities, the Group had tax losses arising in the PRC of RMB65,576,000, equivalent to HK$84,023,000 that were available for offsetting against future taxable profits. Such losses will be carried forward for five years from the year that the losses were incurred. The expiration years for the losses are as follows:

	2013		2012	
	HK$'000	RMB'000	HK$'000 (Restated)	RMB'000 (Restated)
Expiring in year:				
2015	24,495	19,117	–	–
2016	59,528	46,459	–	–
	84,023	65,576	–	–

(b) Deferred tax liabilities recognised:

	Fair value surplus from prepaid lease payments HK$'000
At 1 January 2013	–
Acquisition of a subsidiary (Note 38(a))	613
Credited to consolidated statement of profit or loss (Note 11(a))	(57)
Exchange realignment	18
At 31 December 2013	574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. PROVISIONS

	2013 HK$'000	2012 HK$'000 (Restated)
Provision for product warrants		
At 1 January	–	–
Acquisition of a subsidiary (Note 38(a))	2,859	–
Addition during the year (Note 9)	3,534	–
Exchange realignment	141	–
	6,534	–
Others	118	118
At 31 December	6,652	118

Under the terms of the Group's sales agreements, the Group will rectify any for defects product sold arising within three years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within three years prior to the end of the reporting period. The amount of provision takes into account the Group's recent claims experience and is only made where a warranty claim is probable.

30. BANK AND OTHER BORROWINGS

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Bank loans, secured	a	61,447	–
Shareholders' loans	b	150,000	–
Other bond payable	c	8,700	–
		220,147	–
Current		61,447	–
Non-current		158,700	–
		220,147	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The loans are wholly repayable within one year. The weighted average interest rate ranged from 2.72% to 6.60% per annum. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans are secured by way of:

(i) legal charges over the buildings and the leasehold land of the Group (Notes 15 and 16); and

(ii) a lien over all the fixed deposits of GPRT (Note 24).

(b) During the year, Rodez, a wholly-owned subsidiary of the Company, obtained loan amounts of HK$82.5 million and HK$67.5 million from Pacific Union Pte Ltd. ("Pacific Union") and KL-Kepong International Ltd ("KL-Kepong"), both of which were the then substantial shareholders on the date of the shareholders' loan agreements of 7 December 2012, respectively. The loan amounts of HK$82.5 million and HK$67.5 million were collateralised by 55 shares and 45 shares of a subsidiary, Carham, with total issued shares of 100 respectively. The borrowings are repayable on 5 February 2016 (i.e. 3 years after the date of the drawdown of the loans on 6 February 2013), bearing interest of 4% per annum and the interests have been included in finance costs as disclosed in Note 8.

(c) On 23 December 2013, the Company entered into a bond subscription agreement in a principal amount of HK$10,000,000 with an independent third party to the Group. The bond is unsecured, interest bearing at 5% per annum and repayable after seven-and-a-half year from 31 December 2013 (i.e. the date of issue).

(d) The foreign currency exposure profile of bank and other borrowings is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong Dollar	158,700	–
Renminbi	41,001	–
United States Dollar	20,446	–
	220,147	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

31. FINANCE LEASES PAYABLES

At 31 December 2013, the Group had finance leases payables in relation to motor vehicle (Note 15) as follows:

	Present value of minimum lease payments 2013 HK$'000	Minimum lease payments 2013 HK$'000
Not later than one year	212	246
Later than one year but within five years	518	575
	730	821
Less: total future interest expenses		(91)
Present value of lease obligations		730

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 per share '000	HK$'000
Authorised:		
At 1 January 2012, 31 December 2012 and 1 January 2013	150,000	1,500
Increase in authorised capital (Note (a))	100,000	1,000
At 31 December 2013	250,000	2,500
Issued and fully paid:		
At 1 January 2012	105,116	1,051
Share issue upon exercise of share options (Note (b))	10,512	105
At 31 December 2012	115,628	1,156
At 1 January 2013	115,628	1,156
Share issue upon conversion of convertible bonds (Note (c))	22,500	225
At 31 December 2013	138,128	1,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. SHARE CAPITAL *(Continued)*

Notes:

(a) On 28 January 2013, the authorised share capital of the Company was increased from HK$1,500,000 divided into 150,000,000 ordinary shares of HK$0.01 each to HK$2,500,000 divided into 250,000,000 shares, by the creation of an additional 100,000,000 new unissued shares each ranking pari passu in all respects with the existing shares.

(b) During the year ended 31 December 2012, 10,511,628 options were exercised to subscribe for 10,511,628 new ordinary shares of the Company at a consideration of HK$17,502,000 of which HK$105,000 was credited to share capital and the balance of HK$17,397,000 was credited to share premium account. The amount of HK$5,704,000 has been transferred from share option reserve to the share premium account.

(c) During the year ended 31 December 2013, an aggregate of 22,500,000 new ordinary shares of HK$0.01 each were issued upon the conversion of convertible bonds at conversion price of HK$2.0 per ordinary share.

33. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme") which was adopted on 21 May 2004 and expired on 20 May 2014, the Board of Directors of the Company may grant options to any director and employee of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any invested entity (the "Participants") to subscribe for shares in the Company at a price determined by the Board of Directors shall not be less than the highest of:

(a) the closing price of the shares as stated on the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the shares as stated on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

The option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

The total number of securities available for issue under the share option scheme as at 31 December 2013 was 32,586,046 shares and there was no share option exercised during the year (2012: 21,023,256 shares in which options for 10,511,628 shares were exercised). There was no share option granted during the year (2012: 410,000 share options).

Each option gives the holder the right to subscribe for ordinary shares in the Company which will be settled gross in shares.

All share options were exercised as at 31 December 2012.

An ordinary resolution was passed by the Shareholders of the Company at the annual general meeting of the Company held on 8 September 2014 for the adoption of a new share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

34. CONVERTIBLE BONDS

On 8 April 2013, the Company issued HK$60,000,000 3% 3-year convertible bonds (the "Bonds") to not less than six independent third parties who are not related to the Group (the "Bondholders"). The principal terms of the Bonds are as follows:

(1)	Conversion Price:	HK$2.00 per Conversion Share, which is subject to adjustments for consolidation or subdivision or reclassification of Shares, capitalization of profits or reserves, rights issues and other events. Any adjustment to the Conversion Price will be certified by an independent accountant jointly appointed by the Company and the Bondholders holding 51 per cent or more of the outstanding principal amount of Bonds. The Company will publish an announcement upon any adjustment to the Conversion Price.
(2)	Interest:	3% per annum, accrued daily on a 365-days basis and payable quarterly in arrears.
(3)	Maturity date:	The third anniversary of the date of issue of the Bonds, which is 8 April 2016 (the "Maturity Date"). Any unredeemed and unconverted Bonds shall be redeemed at 100% of the outstanding principal amount together with all interest accrued up to the maturity date in cash.
(4)	Status:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably without any preference among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company.
(5)	Voting:	The Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of being Bondholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

34. CONVERTIBLE BONDS *(Continued)*

(6) Transferability: The Bonds may be transferred or assigned to any third party provided that no Bond may be transferred to any person who is a connected person of the Company unless with (i) prior notification of the Company; (ii) the consent of the Company; (iii) full compliance of the Listing Rules; (iv) full compliance with the requirements (if any) that the Stock Exchange may impose from time to time; and (v) the consent (if applicable) of the Stock Exchange.

(7) Early redemption: The Company shall not be entitled to redeem the Bonds (or any party thereof) at any time prior to the maturity date, except by mutual consent of the Bondholder and the Company.

(8) Terms of conversion: The right of a Bondholder to convert any Bond at any time after three months from the date of issue of the Bonds to the date falling on the 14th day immediately prior the date of maturity of the Bonds to convert any outstanding amount of the Bonds into the Conversion Shares at the Conversion Price, provided that the conversion right attached to the Bonds shall only be exercisable by the Bondholder:

(i) so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the Listing Rules; and

(ii) so long as such Bondholder and parties acting in concert (as defined in the Takeover Code) with it immediately after such exercise shall not be required to make general offer under Rule 26 of the Takeovers Code (unless waiver from making a general offer has been obtained from the Securities and Futures Commission of Hong Kong).

(9) Conversion shares: Based on the Conversion Price of HK$2.00, a maximum number of 30,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Bonds in full.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares. Holders of the Conversion Shares will be entitled to receive all future dividends and distributions the record date of which falls on or after the date of allotment and issue of the Conversion Shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. CONVERTIBLE BONDS *(Continued)*

The Bonds contain two components: liability component and conversion component. The fair value of the liability component included in non-current liabilities while the conversion component, net of transaction costs is presented in equity as equity component of convertible bonds. The effective interest rate of the liability component is 9.835% per annum.

The discounted cash flow method was adopted in determining the fair value of the liability component (level 2 fair value measurement). The difference between the gross proceeds of the issue of the convertible bonds and fair value assigned to the liability component, representing the conversion component for the holder to convert into equity, is included in equity (equity component of convertible bonds).

The movement of the liability and conversion components for the reporting period is set out as below:

	Liability component HK$'000	**Equity component of convertible bonds HK$'000**	**Total HK$'000**
Convertible bonds:			
At date of issuance	49,447	10,553	60,000
Transaction costs	–	(1,500)	(1,500)
Interest expense	3,179	–	3,179
Interest paid	(1,178)	–	(1,178)
Conversion of convertible bonds	(38,521)	(6,790)	(45,311)
At 31 December 2013	12,927	2,263	15,190

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35. RESERVES

The Group's reserves is set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity. The Company's reserves are as follow:

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Share option reserves HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company						
At 1 January 2012	113,157	–	5,474	109,665	(53,004)	175,292
Loss for the year	–	–	–	–	(5,607)	(5,607)
Equity-settled share-based transactions	–	–	230	–	–	230
Issue of shares upon exercise of share options	23,101	–	(5,704)	–	–	17,397
At 31 December 2012	136,258	–	–	109,665	(58,611)	187,312
At 1 January 2013	136,258	–	–	109,665	(58,611)	187,312
Profit for the year	–	–	–	–	43,851	43,851
Issue of convertible bonds	–	9,053	–	–	–	9,053
Issue of ordinary shares upon conversion of convertible bonds	45,086	(6,790)	–	–	–	38,296
At 31 December 2013	181,344	2,263	–	109,665	(14,760)	278,512

(a) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

The Company's share premium account is distributable in the form of fully paid-up bonus shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. RESERVES *(Continued)*

(b) Revaluation reserve

The Group's revaluation reserve is the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period. The reserve for available-for-sale investment is dealt with in accordance with the accounting policies set out in Note 4(j).

	2013 HK$'000	2012 HK$'000
Cumulative net gain on fair value change of available-for-sale investments		
At 1 January	35,980	46,677
Disposal of a subsidiary	(33,677)	–
Acquisition of a subsidiary	(6,418)	–
Gain/(loss) on fair value change of available-for-sale investments	4,115	(12,282)
Effect of foreign exchange translation	–	1,585
	–	35,980

The revaluation reserve is not distributable by way of cash dividends.

(c) Share option reserve

The share option reserve comprises the fair value of share options granted to option scheme participants. The reserve comprises the cumulative value of services received from directors, employees and advisors recorded over the vesting period commencing from the grant date of the share options, and is reduced by the expiry or exercise of the share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

35. RESERVES *(Continued)*

(d) Capital reserve

	2013 HK$'000	2012 HK$'000
The Group's capital reserve is represented by:		
Waiver of a loan from a non-controlling shareholder	1,553	–
Transfer of non-distributable reserve funds by GPRT	–	18,148
Capitalisation of retained profits for bonus issue by GPRT	–	19,196
	1,553	37,344

According to the prevailing PRC laws and regulations applicable to sino-foreign joint ventures in the PRC, discretionary dedicated capital, which includes a general reserve fund and an enterprise expansion fund, should be maintained by GPRT. The Board of Directors of GPRT determines the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the GPRT's statement of financial position under equity. The appropriations will not be available for distribution to shareholders once appropriated, but may be used to set off losses or be converted into paid-in capital. The amount of capital reserve amounting to HK$37,344,000 attributable to GPRT was transferred to the retained earnings on the date of reclassification from interest in a joint venture to interest in a subsidiary (i.e. 1 January 2013).

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in equity and of the financial statements of the foreign operations. The reserve is not distributable by way of cash dividends and is dealt with in accordance with the accounting policy set out in Note 4(e)(iii).

(f) Contributed surplus

Pursuant to a resolution passed at the special general meeting of the Company on 29 July 2011, the Company reduced its issued share capital by an amount of approximately HK$109,665,000 and transferred the same amount to the contributed surplus account of the Company. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the Company and all applicable laws.

(g) Distributability of reserves

At 31 December 2013, the aggregate amount of the Company's reserves available for distribution to its owners was HK$278,512,000 (2012: HK$187,312,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

36. COMMITMENTS

(a) As at 31 December 2013, the Group had capital commitments not provided for in the consolidated financial statements as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Contracted for		
– Manufacture of semi-conductors segment	47,175	–
– Manufacture of tyres segment	60,857	–
	108,032	–
Authorised but not contracted for	–	–
	108,032	–

(b) As at 31 December 2013, the Group has total future minimum lease payments under non-cancellable operating leases payable as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Within one year	9,799	–
After one year but not more than five years	33,562	–
After five years	21,253	–
	64,614	–

As at 31 December 2013, the operating leases included the land and buildings in relation to the operation of GPRT in the PRC and also the rentals payable by the Group for its office property in Hong Kong. None of these leases includes contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS

(i) Financial risk management policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:

(a) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, borrowings and investments that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the directors are of the opinion that the net exposure is not significant. The majority of the Group's foreign currency transactions and balances are denominated in United States Dollar ("USD").

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than HKD. The currency giving rise to this risk is primarily from USD.

The following table indicates the instantaneous change in the Group's profit/(loss) after tax and accumulated loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant.

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated loss HK$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated loss HK$'000 (Restated)
United States Dollars	5%	721	5%	24
	(5%)	(721)	(5%)	(24)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(b) Interest rate risk

The Group's exposure to cash flow interest rate risk arises mainly from interest-bearing bank borrowings issued at variable rates. The Group's interest rate profile as monitored by management is set out below:

	Effective interest rate %	31 December 2013 HK$'000	Effective interest rate %	31 December 2012 HK$'000 (Restated)
Fixed rate borrowings:				
Shareholder's loans	4.0%	150,000	–	–
Other bond payable	5.0%	8,700	–	–
Convertible bonds	9.8%	12,927	–	–
Variable rate borrowings:				
Bank loans	2.7%-6.6%	61,447	–	–

Interest rate sensitivity analysis

At 31 December 2013, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit/(loss) for the year and increase or decrease accumulated losses by HK$614,000 respectively. At 31 December 2012, as the Group had no significant bank deposits and interest bearing liabilities, the management consider the risk is not significant.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the Group's exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(c) Market risk

The Group's exposure to market risk arises from equity investments classified as held for trading securities and available-for-sale equity securities.

The Group's listed investments are listed on the Bursa Malaysia Securities Berhad. Decision to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 December 2013, there was no financial instruments measured at fair value and thus the Group is not subject to significant exposure to market risk.

At 31 December 2012, it is estimated that an increase/(decrease) of 5% in the relevant stock market index (for listed investments) with all other variables held constant, would have decreased/increased the Group's profit after tax (and accumulated losses) and other components of consolidated equity as follows:

	2013		2012	
	Effect on profit after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000	Effect on profit after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000 (Restated)
Change in the relevant equity price risk variable:				
Increase 5%	–	–	1,211	2,866
Decrease 5%	–	–	(1,211)	(2,866)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(c) Market risk *(Continued)*

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2012.

(d) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables and deposits with financial institutions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the consolidated statement of financial position reduced by the effects of any netting arrangements with counterparties.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had no significant concentrations of credit risk which individual trade and other receivables balance exceeds 10% of the total trade and other receivables at the end of the reporting period. Normally, the Group does not obtain collateral from its customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(d) Credit risk (Continued)

(i) Trade and other receivables *(Continued)*

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2013, the Group has certain concentration of credit risk as 77% and 20% of total cash and cash equivalents were deposited at two financial institutions in Mainland China and one financial institution in Hong Kong with high credit ratings respectively (2012: 95% of total cash and cash equivalents were deposited at two financial institutions in Malaysia with high credit ratings (restated)).

(e) Liquidity and cash flow risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(e) Liquidity and cash flow risks *(Continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed by using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2013						
Trade and other payables	178,626	178,626	178,626	–	–	–
Bank loans, secured	61,447	62,971	62,971	–	–	–
Shareholders' loans	150,000	162,500	6,000	6,000	150,500	–
Other bond payable	8,700	13,750	3,750	–	–	10,000
Convertible bonds	12,927	16,013	450	450	15,113	–
Finance lease payables	730	821	247	164	410	–
	412,430	434,681	252,044	6,614	166,023	10,000

	Carrying amount HK$'000 (restated)	Total contractual undiscounted cash flow HK$'000 (restated)	Within 1 year or on demand HK$'000 (restated)	More than 1 year but less than 2 years HK$'000 (restated)	More than 2 years but less than 5 years HK$'000 (restated)	More than 5 years HK$'000 (restated)
At 31 December 2012						
Trade and other payables	1,871	1,871	1,871	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS *(Continued)*

(ii) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings, comprising of (i) bank and other borrowings, (ii) finance leases payables and (iii) liability component of convertible bonds as shown in the consolidated statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Total borrowings	233,804	–
Less: Cash and cash equivalents (Note 25)	(50,604)	(2,426)
Net debt	183,200	(2,426)
Total equity	363,809	242,757
Total capital	547,009	240,331
Gearing ratio	33%	N/A

Neither the Company nor any of the Group entities are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. FINANCIAL INSTRUMENTS *(Continued)*

(iii) Fair value measurements

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2013, there was no financial instruments measured at fair value. The disclosures of level in fair value hierarchy at 31 December 2012 is as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Assets:				
Available-for-sale securities (classified as assets held for sale)	57,316	–	–	57,316
Securities held for trading (classified as assets held for sale)	24,218	–	–	24,218
	81,534	–	–	81,534

During the years ended 31 December 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

38. BUSINESS COMBINATION

(a) With effect from 1 January 2013, a general manager of GPRT, appointed by the Group, has the authority on policy setting, making of investment plans, selection of suppliers, approving payment, making other daily management decisions in GPRT, whereby the Group has rights to expose the variable returns from its involvement with GPRT and has the ability to affect those returns through its power over GPRT. Accordingly, the directors of the Company are of opinion that the Group has control, within the meaning of HKFRS10, over GPRT which has therefore been accounted for as a subsidiary of the Group commencing on 1 January 2013. The carrying amounts of the identified assets and liabilities of GPRT, as at the date of reclassification from interest in a joint venture to interest in a subsidiary were as follows:

	Note	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	148,586	–	148,586
Prepaid lease payment	16	14,873	2,453	17,326
Inventories		181,045	–	181,045
Trade and other receivables		81,286	–	81,286
Cash and Cash equivalents		26,273	–	26,273
Pledged bank deposits		3,179	–	3,179
Trade and other payables		(164,569)	–	(164,569)
Provisions	29	(2,859)	–	(2,859)
Borrowings		(63,446)	–	(63,446)
Deferred tax liabilities	28	–	(613)	(613)
		224,368	1,840	226,208
Group's share of net assets (Note 19)				158,346
Non-controlling interests, share of net assets				67,862
				226,208

An analysis of the net inflow of cash and cash equivalents arriving from the reclassification:

	HK$'000
Cash consideration	–
Add: cash and cash equivalents acquired	26,273
	26,273

(b) Pursuant to an agreement dated 23 November 2012, an indirect wholly-owned subsidiary of the Company BEH entered into a share sale and purchase agreement with ICSC, an independent third party to acquire 72.79% equity interest at a consideration of RMB1.00 in ICSC, a sino-equity joint venture established in Kunshan Economic & Technical Development Zone, the PRC which is principally engaged in design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services. This transaction was completed on 22 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

38. BUSINESS COMBINATION *(Continued)*

(b) *(Continued)*

Assets and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Net liabilities recognised	
Cash and cash equivalents	1,406
Other payables and accruals	(1,925)
	(519)
Group's share of net liabilities	378
Non-controlling interests, share of net liabilities	141
	519

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	*
Less: recognised amounts of net liabilities acquired	378
Goodwill arising on acquisition	378

The non-controlling interest (27.21%) in ICSC recognised at the acquisition date was measured at the proportionate share of net liabilities acquired.

Net cash inflow on acquisition of ICSC:

	HK$'000
Cash consideration paid	*
Add: cash and cash equivalent balances acquired	1,406
	1,406

* Less than HK$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

39. EVENTS AFTER THE REPORTING PERIOD

i. On 21 January 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 20 million placing shares on a best efforts basis to not less than six independent placees at HK$2.5 per placing share for potential opportunistic investments and/or general working capital of the Group. The issue and allotment of the Shares was completed on 30 January 2014.

ii. On 28 February 2014, a share transfer of 27.21% minority equity interest in ICSC from Kunshan Economic and Technical Development Zone Asset Management Company to Zhongying, as one of the conditions precedent to the Investment Agreement dated 7 December 2012 entered into BEH and Zhongying, was completed.

iii. Subsequent to the reporting period and up to the date hereof, the Group issued corporate bonds to eight independent third parties with aggregate principal amount of HK$41,000,000, bearing interest rates of not more than 9% per annum and maturity dates ranging from seven to seven-and-a-half years from the respective date of issue for working capital of the Group and potential opportunistic investments.

iv. On 8 July 2014, ICSC entered into the loan agreement with Zhongying, pursuant to which Zhongying agreed to make available the 5.6% 5-year loan in the principal amount of RMB10,000,000 to ICSC for the payment of the tender deposit in the amount of RMB10,000,000 as a security for submission of tender for purchase of the land use right in respect of the Land. Further details of the loan agreement was set out in the announcement dated 10 July 2014.

v. On 4 April 2014, Pacific Union issued a demand letter to Rodez, a wholly-owned subsidiary of the Company, demanding repayment of the principal and interest accrued in the sum of HK$86,428,361 by 11 April 2014 and that an event of default had occurred. In response to this, the Company has on behalf of Rodez entered into negotiations with Pacific Union in relation to its demand.

   On 9 July 2014, Rodez received a letter from Pacific Union stating that, as payment had not been received by the payment deadline, it had on 24 April 2014 exercised its rights and powers under the deed of charge by having the ownership of the 55 shares in Carham transferred to itself.

   On 16 April 2014, KL-Kepong issued a demand letter to Rodez demanding repayment of the principal and interest accrued in the sum of HK$70,360,802 by 30 April 2014 and that an event of default had occurred.

   On 26 May 2014, KL-Kepong issued a second demand letter to Rodez demanding repayment of outstanding principal and accrued interest by 9 June 2014. In response to this, the Company has on behalf of Rodez entered into negotiations with KL-Kepong regarding its demand.

   On 11 July 2014, Rodez received a letter from KL-Kepong stating that, as payment had not been received by the payment deadline, it had exercised its rights and powers under the deed of charge by transferring the ownership of the 45 shares in Carham to itself.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

39. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

v. *(Continued)*

Pacific Union was a substantial Shareholder and controlling Shareholder until 29 November 2013, and that Mr. Goh Nan Kioh, who has a controlling interest in Pacific Union, was a non-executive director and Chairman of the Company until his resignation on 2 January 2014. KL-Kepong was a substantial Shareholder (as defined in the Listing Rules) until 22 April 2013. In spite of the provisions in loan agreements regarding payment of interest every three months, no interest has been paid by the Company since the drawdown of the loans in February 2013. According to records available, the lenders have neither made any demand for payment of the interests in arrears nor declared the occurrence of an event of default pursuant to loan agreements until April 2014.

As a result of the transfer of the 55 shares in Carham to Pacific Union, the Company's shareholding (through Rodez) in Carham is reduced to 45% with effect from 24 April 2014. With of the transfer of the 45 shares in Carham to KL-Kepong, the Company (through Rodez) no longer has any shareholding in Carham with effect from 29 May 2014. This means that the Company no longer has any interest in GPRT.

According to the loan agreements, upon occurrence of an event of default, all amounts, outstanding principal, accrued interest, default interest and any other amount shall become due and payable immediately. The security created by the share charges covers all amounts due under the loan agreements, which include outstanding principal, accrued interest, default interest and any amount payable by the borrower under the terms of the loan agreements and share charges.

The Board considers that the Group no longer has the power to exercise its right as a shareholder and thus lost its control over Carham as a result of the transfer of its 55% and 45% equity interests upon the enforcement of the aforesaid security on 24 April 2014 and 29 May 2014 respectively. Accordingly, the Directors consider that it is inappropriate to consolidate the financial statements of Carham sub-group into the Group and it is de-consolidated and classified as discontinued operation in the subsequent period.

Since the Group has been unable to obtain necessary financial information for the subsequent period, the Directors consider that the financial information of Carham sub-group should be de-consolidated with effect from 1 January 2014. According to the Group's accounting policy when the Company loses control of a subsidiary, it will account for as a disposal of the entire interest in that subsidiary. The calculation of the financial impact on de-consolidating Carham sub-group was based on the latest available financial statements of Carham sub-group as at 31 December 2013, which was further set out as below.

Financial impact on de-consolidating Carham sub-group and derecognition of the loans

The net loss on deconsolidating the Carham sub-group is estimated approximately HK$157 million with reference to the net asset value and the foreign currency translation reserve of Carham sub-group attributable to the Company as at 31 December 2013. The gain of the derecognition of the loans is estimated approximately HK$158 million with reference to the fair value of the loan amounts and accrued interests upon the respective enforcement dates of the loan securities. The net profit or loss effect is estimated to be a net gain of approximately HK$1 million and will be accounted in the profit or loss for the year ending 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

40. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the Conditional Disposal and the amount owing to connected/related parties as disclosed in Note 12 and Note 27 respectively to the consolidated financial statements, the following is a summary of the transactions with connected/related parties, which were carried out in the normal course of business of the Group:

	2013 HK$'000	2012 HK$'000 (Restated)
(a) Transactions between GPRT and GGXEG[(1)]/GIGBM[(2)]		
Expenses:		
Lease rental for a piece of land and buildings erected thereon	4,967	–
Lease rental for the exclusive right to use certain machinery	2,524	–
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	687	–
Lease rental for workers' hostel*	713	–
Lease rental for the dining hall*	119	–
	9,010	–

Notes:

1. The agreements relating to these transactions were between GPRT and Guangzhou Rubber Tyre Factory, which was the former PRC partner owning 30% equity interest in GPRT and which the former PRC partner was taken over by GGXEG in 2001. Accordingly, GGXEG is a non-controlling interest of the Company and the transactions with GGXEG constitute continuing connected transactions for the Company.

2. GGXEG is 100% owned by Guangzhou Rubber Enterprises Group Co. Ltd. ("GREG") and GREG is in turn 100% owned by Guangzhou International Group Co. Ltd. ("GIG"). Meanwhile, Guangzhou International Group Building Management Company Limited ("GIGBM") is 100% owned by GIG and thus, GIGBM is a fellow subsidiary of GGXEG and a connected person of the Company under the Listing Rules. As such, the GIGBM Transactions constitute continuing connected transactions for the Company.

In addition, pursuant to Rule 14.23 of the Listing Rules, given GIGBM is connected with GGXEG, the GIGBM Transactions marked * above are required to be aggregate with the GGXEG Transactions.

The relevant percentage ratios on aggregate value of the transactions with GGXEG/GIGBM were less than 25% and the transaction amounts with GGXEG/GIGBM were less than HK$10 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

40. CONNECTED/RELATED PARTY TRANSACTIONS *(Continued)*

	2013 HK$'000	2012 HK$'000 (Restated)
(b) Transactions between Rodez and Pacific Union/KL-Kepong		
Interest expenses for borrowings	5,392	–

(c) Compensation of key management personnel:

The emoluments of directors and other members of key management during the years were as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Short-term employees benefits	1,996	2,910

41. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the directors of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group has presented the following three reportable segments. These segments are managed separately. The manufacturing segments and the investment holding segment offers very different products and services:

1. Manufacturing of tyres
2. Manufacturing of semiconductor
3. Investment holding

The manufacturing of tyres segment derives its revenue primarily from the manufacture and sale of various types of tyres for commercial vehicles.

The manufacturing of semiconductor segment is still in the construction phase and has not yet started commercial operations.

The investment holding segment derives its revenue primarily from dividends income from listed securities. This segment was ceased upon the disposal of PRT Capital on 16 April 2013 and its results were presented as discontinued operation accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the directors of the Company monitor the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, and other corporate assets. Segment liabilities include trade and other payables provisions, bank loans, shareholders' loans and the liability components of convertible bonds, all of which are attributable to the activities of the individual segments with the exception of other bond payable, finance lease payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' emoluments and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the executive directors of the Company are provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

41. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the executive directors of the Company for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2013 and 2012 is set out below:

	2013					
	Continuing operations			Discontinued operation		
	Manufacturing of Tyres HK$'000	Manufacturing of Semiconductor HK$'000	Sub-total HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	667,290	–	667,290	–	–	667,290
Reportable segment profit/(loss) (adjusted EBITDA)	25,181	(90)	25,091	20,392	(4,202)	41,281
Interest income	40	–	40	–	–	40
Finance costs	(3,184)	(8,612)	(11,796)	–	–	(11,796)
Depreciation and amortisation	(20,569)	–	(20,569)	–	(13)	(20,582)
Material non-cash items:						
Provision of warranty	(3,534)	–	(3,534)	–	–	(3,534)
Plant and equipment written off	(148)	–	(148)	–	–	(148)
Reversal of impairment loss on property, plant and equipment	11	–	11	–	–	11
Income tax credit	57	–	57	–	–	57
Reportable segment assets	469,992	305,863	775,855	–	11,054	786,909
Additions to non-current segment assets during the year	196,638	303,985	500,623	–	730	501,353
Reportable segment liabilities	238,977	168,318	407,295	–	15,805	423,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	2012			
	Continuing operations	Discontinued operation		
	Manufacturing of Tyres HK$'000 (Restated)	Investment holding HK$'000 (Restated)	Unallocated HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue from external customers	–	–	–	–
Reportable segment profit/(loss) (adjusted EBITDA)	15,033	765	(5,598)	10,200
Interest income	–	4	–	4
Depreciation and amortisation	–	(25)	(2)	(27)
Material non-cash items:				
Impairment loss on assets classified as held for sale	–	–	(1,000)	(1,000)
Income tax expense	–	(169)	–	(169)
Reportable segment assets	157,055	85,058	2,633	244,746
Interests in an associate	–	4,475	–	4,475
Additions to non-current segment assets during the year	5,286	–	–	5,286
Reportable segment liabilities	–	–	1,989	1,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

41. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment profit or (loss) and assets

	2013 HK$'000	2012 HK$'000 (restated)
Profit		
Reportable segment profit (continuing operations)	25,091	15,033
Finance costs	(11,796)	–
Depreciation and amortisation	(20,569)	(25)
Gain on reclassification from interest in a joint venture to interest in a subsidiary	80,157	–
Provision of warranty	(3,534)	–
Plant and equipment written off	(148)	–
Reversal of impairment loss on property, plant and equipment	11	–
Interest income	40	4
Unallocated expenses	(4,215)	(6,600)
Consolidated profit before taxation (continuing operations)	65,037	8,412
Assets		
Reportable segment assets (continuing operations)	775,855	157,055
Reportable segment assets (discontinued operation)	–	80,583
Interest in an associate (discontinued operation)	–	4,475
Unallocated	11,054	2,633
Consolidated assets	786,909	244,746

(c) Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2013 HK$'000	2012 HK$'000 (Restated)
Manufacturing and sales of tyres	667,290	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

41. SEGMENT REPORTING *(Continued)*

(d) Geographic information

The following is an analysis of the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, prepayment for acquisition of property, plant and equipment, goodwill, interests in associate, and interest in a joint venture. The geographical location of property, plant and equipment, prepayment for acquisition of property, plant and equipment and prepaid lease payments are based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated. In the case of interests in an associate and a joint venture, it is the location of operations of the associate and the joint venture.

	Revenue from external customers		Specified Non-current assets	
	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)
Mainland China (place of domicile)	308,684	–	485,571	157,059
Republic of India	7,365	–	–	–
Republic of Yemen	64,600	–	–	–
The People's Republic of Bangladesh	58,928	–	–	–
Singapore	47,166	–	–	–
Malaysia	35,983	–	–	–
Kingdom of Cambodia	23,741	–	–	–
Hong Kong	18,069	–	718	–
Republic of Indonesia	26,015	–	–	–
Taiwan	6,911	–	–	–
United States of America	16,153	–	–	–
Republic of the Philippines	27,547	–	–	–
Republic of the Union of Myanmar	11,639	–	–	–
Others	14,489	–	–	–
	667,290	–	486,289	157,059

(e) Information about major customers

For the year of 2013, the revenue from the Group's largest customer was approximately 10% (2012: nil (restated)) of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Equipment	–	2
Interests in subsidiaries	295,728	187,929
Total non-current assets	295,728	187,931
Current assets		
Other receivables	–	195
Cash and cash equivalents	10,248	2,315
Total current assets	10,248	2,510
Current liabilities		
Other payables	4,338	1,855
Provisions	118	118
Total current liabilities	4,456	1,973
Net current assets	5,792	537
Total assets less current liabilities	301,520	188,468
Non-current liabilities		
Convertible bonds	12,927	–
Other bond payable	8,700	–
Total non-current liabilities	21,627	–
Net assets	279,893	188,468
EQUITY		
Share capital	1,381	1,156
Reserves	278,512	187,312
Total equity	279,893	188,468

43. COMPARATIVE FIGURES

As a result of the application of HKFRS 11 certain comparative figures have been adjusted to conform to current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

	2013 HK$'000	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)	2009 HK$'000 (restated)
Turnover	667,290	–	–	–	–
Profit/(loss) before taxation	65,037	8,412	(82,328)	(24,608)	33,514
Non-current assets	486,289	157,059	212,374	309,766	375,883
Current assets	300,620	87,687	27,943	38,415	28,211
Current liabilities	(250,381)	(1,989)	(15,858)	(19,127)	(14,266)
Non-current liabilities	(172,719)	–	–	–	–
Equity	363,809	242,757	224,459	329,054	389,828

The above comparative figures have been reclassified to conform with the current financial year's presentation.