



# SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

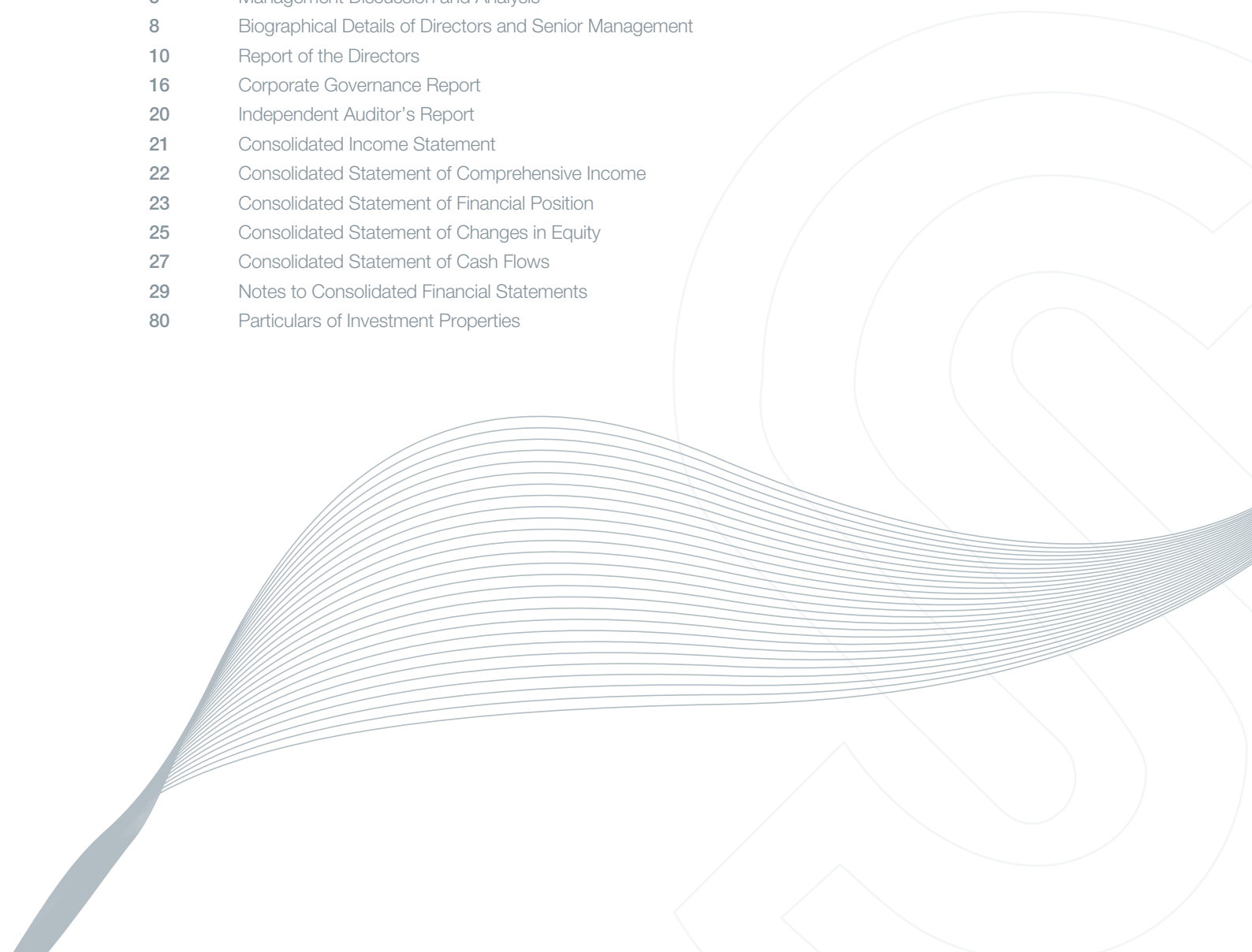
Stock Code: 00058



**Annual Report  
2013**

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# Corporate Information

## DIRECTORS

### Executive:

Wong King Ching, Helen (*Chairman*)

Wong King Man (*Deputy Chairman*)

Leung Chi Fai (*Finance Director*)

### Non-executive:

Fong Yin Cheung \*

Hung Yat Ming \*

So Day Wing \*

Wong Chun Ying

Wong Kim Seong

\* Independent Non-executive Director

## COMPANY SECRETARY

Leung Chi Fai

## LEGAL ADVISERS TO THE COMPANY

As to Bermuda law:

Conyers Dill & Pearman

2901 One Exchange Square

8 Connaught Place

Central

Hong Kong

## AUDITORS

Zenith CPA Limited

10/F, China Hong Kong Tower

8–12 Hennessy Road

Wanchai

Hong Kong

## AUTHORISED REPRESENTATIVES

Wong King Ching, Helen

Leung Chi Fai

## AUDIT COMMITTEE

So Day Wing (*Chairman*)

Fong Yin Cheung

Hung Yat Ming

## REMUNERATION COMMITTEE

Hung Yat Ming (*Chairman*)

Wong King Ching, Helen

Leung Chi Fai

Fong Yin Cheung

So Day Wing

## NOMINATION COMMITTEE

Fong Yin Cheung (*Chairman*)

Wong King Ching, Helen

Wong King Man

Leung Chi Fai

Hung Yat Ming

So Day Wing

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1708–1710

Nan Fung Centre

264–298 Castle Peak Road

Tsuen Wan

New Territories

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Ltd.

China Citic Bank International Ltd.

Dah Sing Bank Ltd.

In The People's Republic of China:

Agricultural Bank of China

Bank of China Ltd.

Industrial and Commercial Bank of China Ltd.

## WEBSITE ADDRESS AND CONTACT

<http://www.sunwayhk.com>

<http://www.irasia.com/listco/hk/sunway>

Telephone : (852) 2413 6812

Fax : (852) 2413 6859

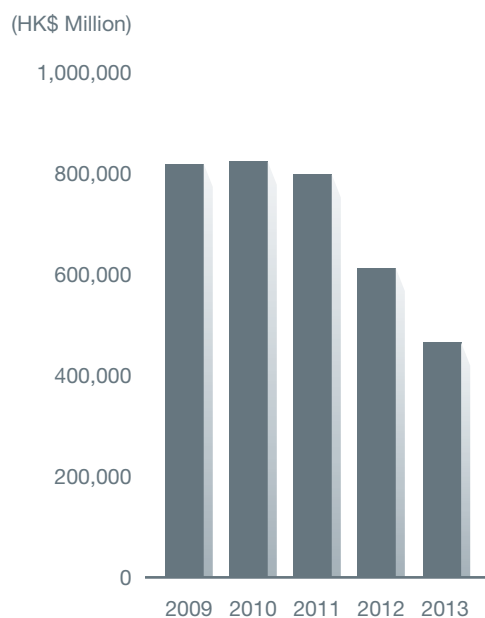
## STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

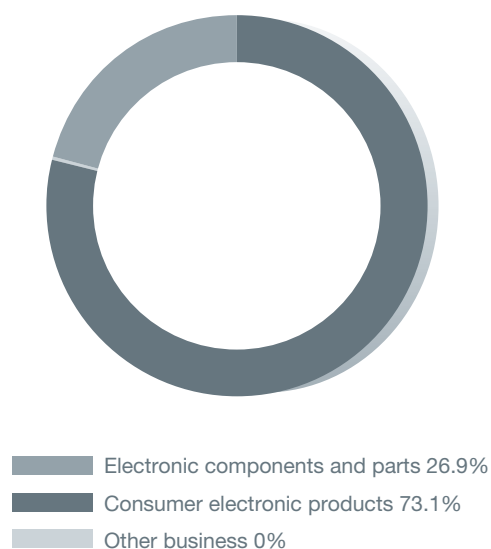
# Financial Highlights

	2013 HK\$'000	2012 HK\$'000
<b>OPERATING RESULTS</b>		
Revenue	<b>788,347</b>	794,333
Loss for the year attributable to equity holders of the parent	<b>(213,323)</b>	(210,948)
Loss per share – basic and diluted	<b>HK(21 cents)</b>	HK(21 cents)
Proposed final dividend per share	<b>Nil</b>	Nil
<b>FINANCIAL POSITION</b>		
Total assets	<b>1,219,827</b>	1,516,714
Pledged time deposits and cash and cash equivalents	<b>148,055</b>	286,927
Equity attributable to equity holders of the parent	<b>456,473</b>	603,630
<b>FINANCIAL RATIOS</b>		
Current ratio	<b>1.1</b>	1.0
Gearing ratio	<b>167.2%</b>	151.3%

## EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT



## TURNOVER BY BUSINESS SEGMENTS



# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Sunway International Holdings Limited and its subsidiaries (collectively, the "Group") for the year ended 30 September 2013.

Over the past twelve months, the unbalanced global economy had significantly affected our customers' purchasing power which had heavily effected our feasibility to increase our selling prices. On the other hand, the continuous appreciation of RMB had driven up the cost of raw materials and our manufacturing costs. Furthermore, shortage of local labour supply gave pressures on our labour costs and other related expenses. As a result, the Group had suffered losses which were fairly comparable with last year.

Looking forward to the coming year, we expected the negative impacts to continue in place on the electronics manufacturing industries. In view of the Group has suffered losses for an extended period of time. We had been planning a group restructuring to better allocate our existing resources, including but not limited to the scaling down of the Group's existing assets and the introduction of prospective business to the Group.

We have been studying the potential of shifting its resources to the profitable construction materials manufacturing business in the PRC, which is fueled by the growth of the property market in the Guangdong province, has a promising prospect. Subsequent to the financial year end, the Group has entered into a sale and purchase agreement to acquire a company which is specialised in production of high quality construction materials.

As at the date hereof, certain conditions precedent to the completion of the acquisition have yet to be fulfilled and there is no concrete plan as to how and when the scaling down of the electronics manufacturing businesses will be carried out. Should there be any significant development in this regard, the Company will make announcements in accordance with the Listing Rules as and when appropriate.

On behalf of the Board, I would like to express my sincere gratitude to our management and staff for their invaluable effort and contributions in the past year. I would also like to thank our customers, suppliers, business associates and shareholders for their continuous supports. In the coming year, we will continue to work closely to overcome the unfavourable position for the Group and drive higher returns to our shareholders.

**Wong King Ching, Helen**

*Chairman*

Hong Kong

30 December 2013

# Management Discussion and Analysis

## REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the year ended 30 September 2013 decreased slightly by HK\$5,986,000 or 0.8% to HK\$788,347,000, compared to HK\$794,333,000, reported last year. The Group recorded gross loss of HK\$75,838,000 for the year, compared to HK\$60,370,000 last year. The gross loss was mainly attributable to depreciation for plant and machinery of HK\$88,335,000 for the year. It was increased by HK\$15,468,000 or 25.6%.

Net loss of the Group was also increased by HK\$2,375,000 or 1.1% to HK\$213,323,000 for the year ended 30 September 2013 compared to HK\$210,948,000 last year.

### Consumer electronic products

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 73.1% of the Group's revenue. Revenue from sales of consumer electronic products decreased by HK\$50,313,000 or 8.0% from HK\$626,661,000 last year to HK\$576,348,000 this year.

Turnover of electronic calculators was HK\$361,339,000 representing a decrease of HK\$29,640,000 or 7.6% compared to HK\$390,979,000 last year. Sales of electronic calculators contributed 45.8% of the Group's turnover for the year. It remained the largest business segment of the Group.

Sales of electronic watches and clocks significantly decreased by HK\$67,999,000, or 48.4% to HK\$72,543,000 from HK\$140,542,000 last year. It accounted for 9.2% of the Group's total turnover for the year.

Sales of digital products represented 16.3% of the Group's turnover for the year, generated revenue amounted to HK\$128,742,000, which increased by HK\$62,352,000 or 93.9% as compared to HK\$66,390,000 last year. The significant increase in this segment was arising from the sales of tablets.

### Electronic components and parts

Electronic components and parts mainly comprised of Liquid Crystal Displays ("LCD"), Chip On Glass ("COG") and Quartz and their respective revenue for the year were HK\$88,698,000, HK\$94,783,000 and HK\$22,705,000. Aggregated revenue for the year increased by HK\$45,781,000 or 27.5% from HK\$166,218,000 last year to HK\$211,999,000. This segment has accounted for 26.9% of the Group's revenue.

Revenue from other Asian countries, mainly attributable from Taiwan and Japan, was the largest geographical segment this year which contributed 28.7% of the Group's turnover.

Selling and distribution expenses mainly consisted of transportation expenses, and dropped by HK\$970,000 or 7.1% from HK\$13,719,000 last year to HK\$12,749,000 this year.

Administrative expenses slightly dropped by HK\$7,671,000 or 7.5% from HK\$102,689,000 last year to HK\$95,018,000 this year. These were mainly staff related expenses including salaries, pension scheme contributions and staff welfare expenses and represented 66% of the general and administrative expenses this year.

Finance costs were HK\$40,372,000, compared to HK\$29,844,000 last year. Increase of finance costs by HK\$10,528,000 or 35.3% was due to bank borrowings obtained to finance the operations in the PRC during the year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 30 September 2013, the total shareholders' equity of the Group was HK\$456,473,000, representing a decrease of 24.4% over last year. As at 30 September 2013, the Group's cash and bank balances and time deposits stood at HK\$148,055,000 whereas bank and other borrowings were HK\$479,912,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 1.67 times this year. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS AND ACQUISITION

During the year, the Group incurred HK\$14,981,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

## CAPITAL STRUCTURE

No repurchases of shares were made during the year. On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019 of which 12,300,000 share options have been lapsed during the year. At 30 September 2013, the number of shares in respect of which options had been granted and exercisable was 61,840,000. No share options were exercised or cancelled during the year.

## PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK\$110,653,000, prepaid lease payments of HK\$14,217,000 and investment property of HK\$21,510,000 are used to secure banking facilities for the Group.

## APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of HK\$65,400,000 of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Limited. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Limited proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group has approximately 4,400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

## FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States Dollars ("USD") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into foreign currency forward contracts to mitigate the risk.

## COMMITMENT

As at 30 September 2013, the Group has contracted commitments of HK\$1,897,000 (2012: HK\$9,805,000).

## CONTINGENT LIABILITIES

As at 30 September 2013, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK\$28,000,000 and none of the facilities were utilized.

# Management Discussion and Analysis

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## **PROSPECTS**

Looking forward, the global economy continues to face uncertainties. The US economy will continue its slow recovery, while euro sovereign debt crisis remains the biggest risk to world economy. Given these economic factors, it will be difficult to remain optimistic in the export electronic business. Also, the PRC government announced various policies to stabilise growth and imply the PRC's economic growth will be slow-down. We expect the business volume will continue to wither in the future.

The unstable labour supply in the PRC and appreciation of RMB will continue to drive up the production costs. Raising production costs will remain the major challenges to our performance. We will continue to review the production costs and tightly monitored at each production process. Also, we will streamline operations and optimize efficiency by sub-contracting some of the manufacturing processes.

Our strategic aim remains to achieving a long-term sustainable growth by strengthening its existing business and seeking investment opportunities to expand in other business sectors.

On 3 October 2013, the Group as the purchaser entered into a sale and purchase agreement with Mr. Xiao Guang Kevin as the vendor and Mr. Wang Zhining as the guarantor of the Vendor, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Joint Expert Global Limited and the shareholder's loan at a consideration of HK\$550,000,000 (the "Proposed Acquisition"). The Target Company and its subsidiaries are building and construction materials manufacturers in the PRC specialized in production of high quality pre-stressed steel bars, pre-stressed high-strength concrete piles, ready-mixed concrete and various types of bricks, etc. As at the date hereof, certain conditions precedent to the completion of the Proposed Acquisition have yet to be fulfilled.

We have been studying the potential of shifting its resources to another profitable industry and are confident that the construction materials manufacturing business in the PRC, which is fueled by the growth of the property market in the PRC has a promising prospect. We hope the Proposed Acquisition, if completed, will provide an opportunity for the Group to turnaround its unfavorable financial performance and to generate diversified income and additional cash flow for its continuous development.

**Wong King Ching, Helen**  
*Chairman*

Hong Kong  
30 December 2013



# Biographical Details of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Ms. Wong King Ching, Helen**, aged 40, is the Chairman of the Group. Ms. Wong is responsible for directing the Group's development, formulation of business policies and overall corporate management. She also oversees the Group's marketing and sales strategies and activities in the PRC and Asia-Pacific markets. After completion of her studies in the United States of America, Ms. Wong joined the Group in 1996 as an Executive Director and has over 17 years of experience in corporate management in electronics industry.

**Ms. Wong King Man**, aged 39, is the Deputy Chairman of the Group. She is responsible for overseeing the Group's procurement policies and materials management. Ms. Wong graduated from The University of Toronto with a Bachelor of Arts degree major in Economics. She has participated in the operations of the Group for more than 16 years. She is the younger sister of Ms. Wong King Ching, Helen.

**Mr. Leung Chi Fai**, aged 46, is the Finance Director and the Company Secretary of the Group. He joined the Group since 1996 and is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

### Non-executive Directors

**Ms. Fong Yin Cheung**, aged 55, graduated from The University of Hong Kong with a Bachelor of Laws degree and a Postgraduate Certificate in Laws (P.C.LL). She is a practising solicitor and has over 30 years of experience of practicing in conveyancing, commercial and general practices. She has been legal advisers of several listed companies.

**Mr. Hung Yat Ming**, aged 61, graduated from The University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from University of Strathclyde, Scotland. He has over 30 years of experience in accounting and finance and is a financial controller of a Hong Kong listed company. He is a member of The Institute of Chartered Accountants of Scotland and Hong Kong Institute of Certified Public Accountant.

**Mr. So Day Wing**, aged 65, graduated with a Bachelor of Business Administration degree from the Chinese University of Hong Kong and also holds a Postgraduate Diploma from the University of Strathclyde. He is a member of the Institute of Chartered Accountants of Scotland and a member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Wong Chun Ying**, aged 61, has been working as a manager with a wholly-owned subsidiary of the Company for over 11 years and has accumulated rich experience in the electronics industry. She is the mother of Ms. Wong King Ching, Helen and Ms. Wong King Man, both being Executive Directors of the Company.

**Mr. Wong Kim Seong**, aged 83, the grandfather of Ms. Wong King Ching, Helen, is the honorary chairman of the Group. He acts as the Group's advisor on business development. Mr. Wong has been engaged in the electronics industry for over 23 years with extensive experience in production, marketing and sales of electronic products.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Gan Ming Hong**, aged 39, is the Assistant Technical Manager who specialises in printed circuit board production and development. He has accumulated over 17 years of experience in the field.

**Mr. Huang Zong Biao**, aged 39, is the manager of Quality Assurance Department and is responsible for quality control functions in the PRC. He joined the Group since 2004 and has accumulated over 17 years of experience in the field.

**Mr. Xiang Hou Lin**, aged 45, is the Research and Development Manager. He has over 18 years of experience in designing and developing electronic products in certain large electronics manufacturers and specialises in designing and developing electronic consumer products in the Group.

**Mr. Xu Jian Xing**, aged 42, is the Deputy General Manager of the Group and has worked for the Group for 18 years. He oversees overall operations in the PRC factories, including sales, purchasing and production facility maintenance.

**Mr. Yu Guo Qing**, aged 34, is the Research and Development Manager, who specialises in the design of moulds. He has accumulated over 9 years of experience in product development.

**Mr. Zheng Xiang Yang**, aged 46, is the Assistant Production Planning Manager. He has 21 years of experience in computing software development and internet management and materials management and has held related position in the Group for 16 years. He is responsible for internal coordination, materials management and production planning and control.

**Mr. Zou Jian Shan**, aged 30, is the Deputy Finance Manager and is responsible for overseeing the financial and accounting functions in the PRC. He has accumulated over 6 years of experience in the field.

# Report of the Directors

The Directors present their annual report and the audited financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 September 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products). They are also engaged in the trading of integrated circuits and computer components and accessories.

There were no significant changes in the nature of the principal activities of the Company and of the Group during the year.

## RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 79.

The Directors do not recommend the payment of final dividend in respect of current financial year to the shareholders.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS	Year ended 30 September				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	<b>788,347</b>	794,333	1,021,413	981,860	941,458
Loss before taxation	<b>(206,676)</b>	(205,365)	(82,795)	(32,437)	(167,521)
Income tax expenses	<b>(6,647)</b>	(5,583)	(5,450)	(4,287)	(5,048)
Loss for the year attributable to equity holders of the parent	<b>(213,323)</b>	(210,948)	(88,245)	(36,724)	(172,569)

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS AND LIABILITIES	2013 HK\$'000	As at 30 September			
		2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Non-current assets	594,041	606,680	601,384	585,365	565,026
Current assets	625,786	910,034	789,109	639,638	537,983
<b>TOTAL ASSETS</b>	<b>1,219,827</b>	1,516,714	1,390,493	1,225,003	1,103,009
Current liabilities	552,043	867,127	568,816	387,107	279,560
Non-current liabilities	211,311	45,957	36,801	27,653	17,792
<b>TOTAL LIABILITIES</b>	<b>763,354</b>	913,084	605,617	414,760	297,352
<b>NET ASSETS</b>	<b>456,473</b>	603,630	784,876	810,243	805,657

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

## SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the share capital and share options of the Company are set out in notes 32 and 33 to the financial statements, respectively.

## PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

As at 30 September 2013, the Company's reserves available for distribution, showed a deficit of HK\$258,289,000, comprising accumulated losses of HK\$314,760,000 and contributed surplus of HK\$56,471,000. In accordance with the Bermuda Companies Act 1981, the contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account of HK\$177,325,000 as at 30 September 2013 may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 36% of the Group's total sales for the year and sales to the Group's largest customer accounted for 12% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 22% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 7% of the Group's total purchases for the year.

None of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

# Report of the Directors

## DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors:

Ms. Wong King Ching, Helen (*Chairman*)

Ms. Wong King Man (*Deputy Chairman*)

Mr. Leung Chi Fai

### Non-executive Directors:

Ms. Fong Yin Cheung\* (appointed on 28 February 2013)

Mr. Hung Yat Ming\* (appointed on 28 February 2013)

Ms. Kan Lai Kuen\* (retired on 28 February 2013)

Mr. So Day Wing\*

Ms. Wong Chun Ying

Mr. Wong Kim Seong

Mr. Wong Kun Kim\* (retired on 28 February 2013)

\* Independent Non-executive Directors

In accordance with clause 111 of the Company's bye-laws, Mr. Leung Chi Fai and Ms. Wong Chun Ying will retire by rotation and, will not offer themselves for re-election at the forthcoming Annual General Meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 8 to 9 of the Annual Report.

## DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen, and Mr. Leung Chi Fai entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contracts with these Directors until 31 July 2014.

Apart from the foregoing, no Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2013, the interests of the Directors in the share capital of the Company or 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 of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest		
	Directly beneficially owned	Through controlled corporation	Percentage of the Company's issued share
<i>Executive Directors:</i>			
Ms. Wong King Ching, Helen	200,000	280,000,000 (Note 1)	
Ms. Wong King Man	49,648,000 (Note 2)	280,000,000 (Note 1)	
<i>Non-executive Directors:</i>			
Ms. Wong Chun Ying	49,648,000 (Note 2)	–	
Mr. Wong Kim Seong	10,000,000	–	
	59,848,000	280,000,000	33.4%

Notes:

- These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("Mr. Wong") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interests in the shares of Farnell Profits Limited will not be ascertained until completion of the administration of estate of the late Mr. Wong.
- These shares are jointly held by Ms. Wong King Man and Ms. Wong Chun Ying.

The interests of the Directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

Save as disclosed above, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

# Report of the Directors

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **CONNECTED TRANSACTIONS**

The Directors have reviewed the connected transactions as defined under the Listing Rules, as set out in note 37 to the financial statements, and confirmed that such transactions were entered into in compliance with the following conditions:

- (i) The Audit Committee had reviewed the transactions and confirmed that:
  - (a) the transactions were entered into in the ordinary and usual course of business of the Group;
  - (b) the transactions were entered into on normal commercial terms (to the extent that there were comparable transactions), and (where applicable) in accordance with the terms of the agreements governing such transactions or (where there was no agreement) on terms no less favourable than those available to or from independent third parties;
  - (c) the transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (d) the transactions do not exceed the limit set out in (iii)(d) below.
- (ii) Details of the transactions were set out in the Company's Annual Report and financial statements as set out in Rule 14A.45(1) to (5) of the Listing Rules;
- (iii) The auditor of the Company has reviewed the transactions and confirmed that:
  - (a) the transactions were approved by the Board of Directors;
  - (b) the transactions were entered into in accordance with the terms of the agreements relating to the transactions in question;
  - (c) the transactions were entered into in accordance with the pricing policies of the Group; and
  - (d) the aggregate consideration paid or received in respect of the transactions in the financial year reported on did not exceed 3% of the consolidated turnover of the Group as shown in its audited financial statements.

# Report of the Directors

## **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 19 of the Annual Report.

## **AUDIT COMMITTEE**

The Company's Audit Committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the Audit Committee at the date of this report comprised Ms. Fong Yin Cheung, Mr. Hung Yat Ming and Mr. So Day Wing, the three Independent Non-executive Directors of the Company. The Group's financial statements for the year ended 30 September 2013 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements, and that adequate disclosures have been made.

## **AUDITORS**

Except for the change of the Company's auditor from Crowe Horwath (HK) CPA Limited to Zenith CPA Limited during the year ended 30 September 2011, there was no other change in auditors of the Company in any of the proceeding three years. Zenith CPA Limited retire and a resolution for their re-appointment as and for of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Wong King Ching, Helen**

*Chairman*

Hong Kong  
30 December 2013



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board of Directors (the “Board”) will review and improve the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited, except for the deviations as disclosed in this report.

## BOARD OF DIRECTORS

### (1) Responsibilities

The Board is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

Details of Directors’ attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings held for the year ended 30 September 2013 are set out in the table below:

Directors	No. of meetings attended/entitled to attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>				
Wong King Ching, Helen ( <i>Chairman</i> )	2/2	–	1/1	1/1
Wong King Man ( <i>Deputy Chairman</i> )	2/2	–	–	1/1
Leung Chi Fai	2/2	2/2	1/1	1/1
<i>Non-executive Directors</i>				
Wong Chun Ying	2/2	–	–	–
Wong Kim Seong	2/2	–	–	–
<i>Independent Non-executive Directors</i>				
Fong Yin Cheung (appointed on 28 February 2013)	1/1	1/1	–	–
Hung Yat Ming (appointed on 28 February 2013)	1/1	1/1	–	–
Kan Lai Kuen (retired on 28 February 2013)	1/1	1/1	1/1	1/1
So Day Wing	2/2	2/2	1/1	1/1
Wong Kun Kim (retired on 28 February 2013)	1/1	1/1	1/1	1/1

# Corporate Governance Report

## BOARD OF DIRECTORS *(Continued)*

### (2) **Board Composition**

The Board currently comprises three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors.

The Board members for the year ended 30 September 2013 are:

#### *Executive Directors*

Wong King Ching, Helen (*Chairman and Chief Executive Officer*)

Wong King Man

Leung Chi Fai

#### *Non-executive Directors*

Wong Chun Ying

Wong Kim Seong

#### *Independent Non-executive Directors*

Fong Yin Cheung (appointed on 28 February 2013)

Hung Yat Ming (appointed on 28 February 2013)

Kan Lai Kuen (retired on 28 February 2013)

So Day Wing

Wong Kun Kim (retired on 28 February 2013)

The biographies of the Directors are set out on page 8 of this Annual Report.

During the year ended 30 September 2013, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors. The Company has received a written confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules. All the Independent Non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the reporting period, Ms. Wong King Ching, Helen holds both positions of the Chairman and the Chief Executive Officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Ms. Wong to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations.

Under Code Provision A.4.1, the Non-executive Directors should be appointed for a specific term, subject to re-election. The Independent Non-executive Directors of the Company are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the Directors shall retire from the office by rotation at each Annual General Meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of Directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

# Corporate Governance Report

## AUDIT COMMITTEE

The Audit Committee is comprised of three Independent Non-executive Directors. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of listing rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

Two Audit Committee meetings were held during the year to discuss and review the following matters:

1. reviewed of annual results for the year ended 30 September 2012 and interim results for the period ended 31 March 2013;
2. considered the principal accounting policies adopted by the Group;
3. reviewed the cash flow of the Group;
4. discussed on the control of accounts receivables;
5. discussed on the control of inventories;
6. reviewed the related parties transactions;
7. reviewed the adequacy and effectiveness of the internal control system and make recommendations to the Board for improvement of internal control, credit control and risk management;
8. discussed on the corporate governance matters as required by the Code on Corporate Governance Practices.

## AUDITOR'S REMUNERATION

The Statement of the Group's external auditor, Zenith CPA Limited, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 20.

During the year ended 30 September 2013, the total fee paid/payable in respect of audit services provided by the external auditor is set out below:

	2013 HK\$'000	2012 HK\$'000
Audit services	1,238	1,000

## REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three Independent Non-executive Directors of the Company, the Chairman and Mr. Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the Executive Directors and making recommendations to the Board from time to time.

## NOMINATION COMMITTEE

The Nomination Committee, comprises the three Executive Directors and the three Independent Non-executive Directors of the Company. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

## INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control system is maintained within the Group. The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively.

Internal audit of the Group covered the review of financial, operational and compliance controls and risk management functions of the Group.

# Corporate Governance Report

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, the Company confirms that all Directors of the Company have complied with the required standard set out in the Model Code throughout the year.

## COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

For both institutional and retail investors, the Company's website at [www.sunwayhk.com](http://www.sunwayhk.com), as well as a third-party hosted website at [www.irasia.com/listco/hk/sunway](http://www.irasia.com/listco/hk/sunway), provide up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from these websites.

## SHAREHOLDERS' RIGHTS

### (1) Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a EGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a EGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

### (2) Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Room 1708-1710, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

### (3) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Room 1708-1710, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories.

## CONSTITUTIONAL DOCUMENTS

There are no charges in the Company's constitutional documents during the year.

# Independent Auditor's Report



**ZENITH CPA LIMITED**  
诚丰会计师事务所有限公司  
10/F., China Hong Kong Tower,  
8-12 Hennessy Road,  
Wanchai, Hong Kong

香港湾仔轩尼诗道8-12号  
中港大厦10楼

## TO THE SHAREHOLDERS OF SUNWAY INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 79, which comprise the consolidated statement of financial position as at 30 September 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 September 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Zenith CPA Limited

*Certified Public Accountants*

#### Cheng Po Yuen

Practising Certificate No.: P04887

Hong Kong

30 December 2013

# Consolidated Income Statement

Year ended 30 September 2013

	Notes	2013 HK\$'000	2012 HK\$'000
REVENUE	6	788,347	794,333
Cost of sales		(864,185)	(854,703)
Gross loss		(75,838)	(60,370)
Other income and gains	6	29,096	21,609
Selling and distribution expenses		(12,749)	(13,719)
Administrative expenses		(95,018)	(102,689)
Other operating expenses		(4,234)	(16,303)
Finance costs	7	(40,372)	(29,844)
Share of loss of a jointly-controlled entity		(7,561)	(4,049)
LOSS BEFORE TAX	8	(206,676)	(205,365)
Income tax expenses	11	(6,647)	(5,583)
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	12	<b>(213,323)</b>	(210,948)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic		HK(21 cents)	HK(21 cents)
Diluted		HK(21 cents)	HK(21 cents)

# Consolidated Statement of Comprehensive Income

Year ended 30 September 2013

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>LOSS FOR THE YEAR</b>	<b>(213,323)</b>	<b>(210,948)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items may be reclassified to the consolidated income statement in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	3,541	1,062
Reclassification adjustment for loss on disposal included in the consolidated income statement	(1,295)	–
	<b>2,246</b>	1,062
Exchange differences on translation of foreign operations	<b>17,694</b>	4,740
	<b>19,940</b>	5,802
Items may not to be reclassified to the consolidated income statement in subsequent periods:		
Revaluation of items of property, plant and equipment, net of tax	<b>28,456</b>	21,914
Surplus on revaluation of items of property, plant and equipment transferred to investment properties	<b>15,784</b>	–
	<b>44,240</b>	21,914
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<b>64,180</b>	27,716
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>(149,143)</b>	<b>(183,232)</b>

# Consolidated Statement of Financial Position

30 September 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	430,152	459,176
Investment properties	15	91,432	63,770
Prepaid land lease payments	16	67,281	67,137
Interest in a jointly-controlled entity	17	2,072	9,456
Available-for-sale investment	18	2,373	6,430
Deposits paid for acquisition of property, plant and equipment	19	731	711
Total non-current assets		594,041	606,680
<b>CURRENT ASSETS</b>			
Inventories	20	251,140	293,595
Loan receivables	21	–	155,918
Trade receivables	22	205,478	148,495
Prepayments, deposits and other receivables	23	21,113	24,693
Due from a jointly-controlled entity	17	–	326
Tax recoverable		–	80
Pledged time deposits	24	–	16,354
Cash and cash equivalents	24	148,055	270,573
Total current assets		625,786	910,034
<b>CURRENT LIABILITIES</b>			
Trade payables	25	121,330	151,815
Other payables and accruals	26	69,484	33,539
Due to a director	27	5,908	2,681
Interest-bearing bank borrowings	28	325,535	650,164
Tax payable		29,786	28,928
Total current liabilities		552,043	867,127
<b>NET CURRENT ASSETS</b>		73,743	42,907
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		667,784	649,587



# Consolidated Statement of Financial Position

30 September 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	29	56,245	45,215
Provision of long service payment	30	689	742
Other borrowing	31	154,377	–
Total non-current liabilities		211,311	45,957
Net assets		456,473	603,630
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	32	101,600	101,600
Reserves		354,873	502,030
Total equity		456,473	603,630

**Wong King Ching, Helen**  
Director

**Leung Chi Fai**  
Director

# Consolidated Statement of Changes in Equity

Year ended 30 September 2013

	Attributable to owners of the parent										
	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	PRC statutory reserves	Available-for-sale investment revaluation reserve	(Accumulated losses) /retained profits	Total
	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note a)	HK\$'000 (note c)	HK\$'000 (note d)	HK\$'000 (note e)	HK\$'000 (note f)	HK\$'000 (note g)	HK\$'000	HK\$'000
At 1 October 2011	101,600	177,325	56,471	509	4,032	94,887	229,482	12,928	(790)	108,432	784,876
Loss for the year	-	-	-	-	-	-	-	-	-	(210,948)	(210,948)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	4,740	-	-	-	4,740
Surplus on revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	21,914	-	-	-	-	21,914
Changes in fair value of available-for-sale investment (note 18)	-	-	-	-	-	-	-	-	1,062	-	1,062
Total comprehensive income/(loss) for the year	-	-	-	-	-	21,914	4,740	-	1,062	(210,948)	(183,232)
Equity-settled share option arrangements (note 33(b))	-	-	-	-	1,986	-	-	-	-	-	1,986
Share options lapsed	-	-	-	-	(67)	-	-	-	-	67	-
At 30 September 2012	101,600	177,325*	56,471*	509*	5,951*	116,801*	234,222*	12,928*	272*	(102,449)*	603,630
At 1 October 2012	101,600	177,325	56,471	509	5,951	116,801	234,222	12,928	272	(102,449)	603,630
Loss for the year	-	-	-	-	-	-	-	-	-	(213,323)	(213,323)
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	17,694	-	-	-	17,694
Surplus on revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	28,456	-	-	-	-	28,456
Surplus on revaluation of items of properties transferred from property, plant and equipment to investment properties	-	-	-	-	-	15,784	-	-	-	-	15,784
Available-for-sale investment:											
Changes in fair value (note 18)	-	-	-	-	-	-	-	-	3,541	-	3,541
Reclassification adjustment for loss on disposal included in the consolidated income statement (note 18)	-	-	-	-	-	-	-	-	(1,295)	-	(1,295)
Total comprehensive income/(loss) for the year	-	-	-	-	-	44,240	17,694	-	2,246	(213,323)	(149,143)
Equity-settled share option arrangements (note 33(b))	-	-	-	-	1,986	-	-	-	-	-	1,986
Share options lapsed	-	-	-	-	(1,012)	-	-	-	-	1,012	-
At 30 September 2013	101,600	177,325*	56,471*	509*	6,925*	161,041*	251,916*	12,928*	2,518*	(314,760)*	456,473

\* These reserve accounts comprise the consolidated reserves of HK\$354,873,000 (2012: HK\$502,030,000) in the consolidated statement of financial position.

# Consolidated Statement of Changes in Equity

Year ended 30 September 2013

Notes:

**(a) Share premium account and capital redemption reserve**

The application of the share premium account and capital redemption reserve are governed by Section 40 of the Companies Act 1981 of Bermuda ("Companies Act").

**(b) Contributed surplus**

The contributed surplus of the Group represents the difference between the aggregate of the nominal values of the shares of the subsidiaries acquired at the date of acquisition, over the nominal value of the shares of the Company issued in exchange thereof and issued on incorporation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

**(c) Share option reserve**

The share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 3.4.

**(d) Asset revaluation reserve**

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment in note 3.4.

**(e) Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.4.

**(f) PRC statutory reserves**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in Mainland China, it is required to appropriate 10% of the profit arrived at in accordance with the PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the respective entity. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

**(g) Available-for-sale investment revaluation reserve**

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investment held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 3.4.

# Consolidated Statement of Cash Flows

Year ended 30 September 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(206,676)	(205,365)
Adjustments for:			
Depreciation	8	89,009	82,654
Amortisation of prepaid land lease payments	8	1,858	1,830
Loss on disposal of items of property, plant and equipment	8	–	339
Loss on disposal of available-for-sale investment	8	1,295	–
Bank and other interest income		(2,707)	(8,030)
Dividend income from available-for-sale investment	6	(244)	(281)
Fair value gains of investment properties	6	(4,164)	(6,732)
Finance costs	7	40,372	29,844
Impairment of items of property, plant and equipment	8	–	7,352
Reversal of impairment of trade receivables, net	6	(7,521)	(153)
Impairment of other receivables	8	2,029	7,637
Impairment of amount due from a jointly-controlled entity	8	331	–
(Reversal of write-down)/write-down of inventories to net realisable value, net	8	(10,768)	34,815
(Reversal)/provision of long service payment, net		(53)	116
Equity-settled share option expenses		1,986	1,986
Share of loss of a jointly-controlled entity		7,561	4,049
		(87,692)	(49,939)
Decrease/(increase) in inventories		53,223	(58,155)
(Increase)/decrease in trade receivables		(49,462)	10,257
Decrease in prepayments, deposits and other receivables		1,551	18,612
(Decrease)/increase in trade payables		(30,485)	36,724
Increase/(decrease) in other payables and accruals		35,945	(14,302)
Increase in amount due to a director		3,227	2,106
<b>Cash used in operations</b>		<b>(73,693)</b>	<b>(54,697)</b>
Interest received		2,707	2,358
Interest paid		(40,372)	(29,844)
PRC tax paid		(4,764)	(3,737)
<b>Net cash flows used in operating activities</b>		<b>(116,122)</b>	<b>(85,920)</b>

# Consolidated Statement of Cash Flows

Year ended 30 September 2013

Notes	2013 HK\$'000	2012 HK\$'000	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	(14,981)	(61,321)	
Proceeds from disposal of available-for-sale investment	5,008	–	
Proceeds from disposal of items of property, plant and equipment	–	894	
Deposits paid for acquisition of items of property, plant and equipment	–	(711)	
Dividend income from available-for-sale investment	244	281	
Decrease in pledged time deposits	16,354	69,272	
Repayment to a jointly-controlled entity	–	(558)	
Loan repayment from/(advanced to) independent third parties	155,918	(150,246)	
<b>Net cash flows from/(used in) investing activities</b>	<b>162,543</b>	<b>(142,389)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/increase in trust receipt loans	(4,261)	103	
New bank loans	418,789	771,379	
Repayment of bank loans	(739,157)	(498,235)	
Loan advanced from an independent third party	154,377	–	
<b>Net cash flows (used in)/from financing activities</b>	<b>(170,252)</b>	<b>273,247</b>	
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(123,831)</b>	<b>44,938</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>270,573</b>	<b>223,607</b>	
<b>Effect of foreign exchange rate changes, net</b>	<b>1,313</b>	<b>2,028</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>148,055</b>	<b>270,573</b>	
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	24	69,168	270,573
Non-pledged time deposits with original maturity of over three months and within one year when acquired	24	78,887	–
Cash and cash equivalents as stated in the consolidated statement of financial position		148,055	270,573
Non-pledged time deposits with original maturity of over three months and within one year when acquired	24	(78,887)	–
Cash and cash equivalents as stated in the consolidated statement of cash flow		69,168	270,573

# Notes to Consolidated Financial Statements

30 September 2013

## 1. CORPORATE INFORMATION

Sunway International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and the issued shares of which are listed on The Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Rooms 1708–1710, Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Company’s principal activity is investment holding. The principal activities of the subsidiaries comprise the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products). They are also engaged in the trading of integrated circuits. There were no significant changes in operation of the Company and its subsidiaries (collectively referred to as the “Group”) during the year.

## 2. BASIS OF PRESENTATION

Notwithstanding that (i) the Group incurred a loss attributable to equity holders of the parent of HK\$213,323,000 for the year ended 30 September 2013; (ii) the Group has capital commitment of HK\$1,897,000; and (iii) bank borrowings of HK\$325,535,000 due within one year as at 30 September 2013, in the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into account the Group has unutilised banking facilities, the letter of intent obtained from the banks for their intention to renew certain of the Group’s existing banking facilities for one year upon maturity and financial support from the major shareholder of the Company. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### 3.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain property, plant and equipment, available-for-sale investment which are measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, and (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income
HKAS 12 Amendments	Deferred Tax: Recovery of Underlying Assets

Other than as further explained below regarding the impact of amendments to HKAS 1, the adoption of the revised HKFRSs has had no significant financial effect on these consolidated financial statements.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gain and loss on defined benefit plans and revaluation of land and buildings). The amendments have been applied retrospectively, with the presentation of items of other comprehensive income modified to reflect the changes. Other than the said presentation changes, the amendments did not have any impact on the Group's financial position or performance.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

HKFRS 1 Amendments	First-time Adoption of HKFRSs – Government Loans <sup>1</sup>
HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Transition Guidance <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>1</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>1</sup>
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKAS 36 Amendments	Recoverable Amount Disclosure for Non-Financial Assets <sup>2</sup>
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Investment Entities <sup>2</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>
HK(IFRIC)-Int 21	Levies <sup>2</sup>
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether those new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefit from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

### Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity is eliminated to the extent of the Group's investment in a jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entity is included as part of the Group's investments in a jointly-controlled entity.

The result of a jointly-controlled entity is included in the Group's consolidated income statement to the extent of dividend received and receivable. The Group's investment in a jointly-controlled entity is treated as non-current assets and are stated at cost less any impairment losses.



# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of non-financial assets**

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is amortised for in accordance with the relevant accounting policy for that revalued asset.

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

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group 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;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (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).

### Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2% to 5%
Leasehold improvements	10%
Plant, machinery and office equipment	10%
Motor vehicles	20%
Moulds	10%
Furniture and fixtures	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment properties are recognised in the consolidated income statement in the year of the retirement or disposal.

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investment, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade and other receivables, deposits, amount due from a jointly-controlled entity and loan receivables.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement for loans and receivables.

#### *Available-for-sale financial investment*

Available-for-sale financial investment is non-derivative financial asset in listed equity investment. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investment is reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

#### *Financial assets carried at amortised cost (Continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is to the consolidated income statement.

#### *Available-for-sale financial investment*

For available-for-sale financial investment, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to a jointly-controlled entity and director, interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Loans and borrowings*

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated income statement.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial liabilities**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the consolidated income statement.

### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

### **Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.



# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement 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 employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# Notes to Consolidated Financial Statements

30 September 2013

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.

The functional currencies of certain overseas subsidiaries and jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The major judgements, estimates and assumption that have the most significant effect on the amounts recognised in the consolidated financial statements and have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### (ii) Useful lives of property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and thereafter depreciations charge in the future period.

# Notes to Consolidated Financial Statements

30 September 2013

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

### (iii) Net realisable value of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 3.4. Management estimates the net realisable value based on current market situation and historical experience of manufacturing and selling products of similar nature. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value.

### (iv) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different and the Group may be exposed to increase or decrease in deferred tax expenses that could be material.

### (v) Operating lease commitments – Group as lessor

The Group has entered into commercial property lease on its investment properties portfolio. The Group has determined that it retains substantially all the risks and rewards incidental to ownership of these properties which are leased out under an operating lease.

### (vi) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualified as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### (vii) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the impairment at the end of each reporting period.

### (viii) Impairment of available-for-sale investment

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement.

# Notes to Consolidated Financial Statements

30 September 2013

## 5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and has three reportable operating segments as follows:

- (a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic components and parts;
- (b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and
- (c) the trading segment consists of the trading of integrated circuits.

Since (c) individually do not meet the quantitative thresholds to be separately reported, (c) is reported under "Other businesses".

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that head office and corporate expenses, share of results of a jointly-controlled entity, bank and other interest income, other income and gains, finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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.

Segment assets exclude interest in a jointly-controlled entity, available-for-sale investment, loan receivables, pledged time deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowing and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# Notes to Consolidated Financial Statements

30 September 2013

## 5. OPERATING SEGMENT INFORMATION (Continued)

### (a) Segment results, assets and liabilities

	Electronic components and parts		Consumer electronic products		Other businesses		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Segment revenue</b>								
Revenue from external customers	211,999	166,218	576,348	626,661	-	1,454	788,347	794,333
<b>Reportable segment loss from operations</b>	<b>(49,010)</b>	<b>(45,376)</b>	<b>(126,337)</b>	<b>(144,151)</b>	<b>-</b>	<b>(288)</b>	<b>(175,347)</b>	<b>(189,815)</b>
<i>Reconciliation:</i>								
Bank and other interest income							2,707	8,030
Other income and gains							18,868	13,426
Finance costs							(40,372)	(29,844)
Share of loss of a jointly-controlled entity							(7,561)	(4,049)
Unallocated head office and corporate expenses							(4,971)	(3,113)
Loss before tax							(206,676)	(205,365)
<b>Other segment information:</b>								
Capital expenditure <sup>#</sup>	4,229	15,492	10,752	45,829	-	-	14,981	61,321
Depreciation*	25,329	20,708	63,680	61,260	-	686	89,009	82,654
Amortisation of prepaid land lease payments*	531	462	1,327	1,368	-	-	1,858	1,830
(Reversal of write-down)/write down of inventories to net realisable value, net*	(3,077)	8,796	(7,691)	26,019	-	-	(10,768)	34,815
Reversal of impairment of trade receivables, net	1,982	36	5,539	117	-	-	7,521	153
<b>Segment assets</b>	<b>255,793</b>	<b>227,595</b>	<b>642,418</b>	<b>682,681</b>	<b>-</b>	<b>243</b>	<b>898,211</b>	<b>910,519</b>
<b>Segment liabilities</b>	<b>31,576</b>	<b>31,316</b>	<b>98,599</b>	<b>136,602</b>	<b>-</b>	<b>934</b>	<b>130,175</b>	<b>168,852</b>

\* Included in the "Reportable Segment (loss)/profit from operations" disclosed above.

# Capital expenditure consists of additions to property, plant and equipment.

# Notes to Consolidated Financial Statements

30 September 2013

## 5. OPERATING SEGMENT INFORMATION (Continued)

### (b) Reconciliation of reportable assets and liabilities

	2013 HK\$'000	2012 HK\$'000
<b>Assets</b>		
Total reportable segment assets	<b>898,211</b>	910,519
Available-for-sale investment	<b>2,373</b>	6,430
Cash and cash equivalents and pledged time deposits	<b>148,055</b>	286,927
Interest in a jointly-controlled entity	<b>2,072</b>	9,456
Loan receivables	–	155,918
Unallocated head office and corporate assets	<b>169,116</b>	147,464
Consolidated total assets	<b>1,219,827</b>	1,516,714
<b>Liabilities</b>		
Total reportable segment liabilities	<b>130,175</b>	168,852
Interest-bearing bank borrowings	<b>323,718</b>	644,086
Other borrowing	<b>154,377</b>	–
Tax payable	<b>29,786</b>	28,928
Deferred tax liabilities	<b>56,245</b>	45,215
Unallocated head office and corporate liabilities	<b>69,053</b>	26,003
Consolidated total liabilities	<b>763,354</b>	913,084

### (c) Geographic information

The geographical location of revenue information is based on the locations of customers at which the services were provided or the goods delivered. The Group's non-current assets are based on the location of the assets and excludes interest in a jointly-controlled entity, available-for-sale investment and deposits paid for acquisition of property plant and equipment.

	Hong Kong		PRC		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue from external customers	<b>28,926</b>	28,353	<b>172,865</b>	240,839	<b>226,253</b>	200,615	<b>201,599</b>	222,445	<b>135,363</b>	71,680	<b>23,341</b>	30,401	<b>788,347</b>	794,333
Non-current assets *****	<b>31,720</b>	15,913	<b>557,145</b>	574,170	–	–	–	–	–	–	–	–	<b>588,865</b>	590,083

\* Other Asian countries principally included Indonesia, Japan, Korea, Taiwan and Pakistan.

\*\* American countries principally included the United States, Chile, Peru, Argentina, Mexico and Brazil.

\*\*\* European countries principally included Poland, Spain, France, Germany and England.

\*\*\*\* African countries principally included Lagos, Nigeria, Kenya and Egypt.

\*\*\*\*\* Non-current assets information above is based on the location of assets and excluded available-for-sale investment, interest in a jointly-controlled entity and deposits paid for acquisition of property, plant and equipment.

# Notes to Consolidated Financial Statements

30 September 2013

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

### (d) Information about a major customer

For the year ended 30 September 2013, the Group had transactions with one customers (2012: Nil), which contributed over 10% of the Group's revenue. The total revenue earned from this customer amounted to HK\$94,783,000 (2012: Nil).

## 6. REVENUE, OTHER INCOME AND GAINS

### Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year (2012: HK\$794,333,000).

An analysis of the Group's other income and gains is as follows:

	2013 HK\$'000	2012 HK\$'000
<b>Other income</b>		
Bank interest income	349	2,358
Interest income from loan receivables	2,358	5,672
Dividend income from available-for-sale investment	244	281
Rental income	2,399	4,309
Handling fee income	3,945	–
Others	4,447	2,104
	<b>13,742</b>	14,724
<b>Gains</b>		
Reversal of impairment of trade receivables, net	7,521	153
Foreign exchange gain, net	3,669	–
Fair value gains of investment properties (note 15)	4,164	6,732
	<b>15,354</b>	6,885
	<b>29,096</b>	21,609

## 7. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on bank loans wholly repayable within one year or on demand	40,372	29,844

# Notes to Consolidated Financial Statements

30 September 2013

## 8. LOSS BEFORE TAX

	Notes	2013 HK\$'000	2012 HK\$'000
The Group's loss before tax is arrived at after charging/(crediting):			
Cost of inventories sold		<b>784,760</b>	736,090
Depreciation	14	<b>89,009</b>	82,654
Amortisation of prepaid land lease payments*	16	<b>1,858</b>	1,830
Minimum lease payments under operating leases in respect of land and buildings		<b>1,927</b>	1,089
Auditor's remuneration		<b>1,259</b>	880
Rental income on investment property (net of direct operating expenses of nil (2012: Nil))		<b>(2,399)</b>	(2,538)
Rental income from operating leases, other than those relating to investment properties		<b>-</b>	(1,771)
(Reversal of write-down)/write-down of inventories to net realisable value, net*		<b>(10,768)</b>	34,815
Foreign exchange difference, net		<b>(3,669)</b>	888
Impairment of amount due from a jointly-controlled entity#		<b>331</b>	-
Impairment of other receivables#	23	<b>2,029</b>	7,637
Impairment of items of property, plant and equipment#	14	<b>-</b>	7,352
Loss on disposal of items of property, plant and equipment#		<b>-</b>	339
Loss on disposal of available-for-sale investment#		<b>1,295</b>	-
Employee benefits expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		<b>184,238</b>	207,164
Pension scheme contributions		<b>10,388</b>	7,214
(Reversal)/provision of long service payment, net		<b>(34)</b>	77
Equity-settled share option expense		<b>1,090</b>	1,090
		<b>195,682</b>	215,545

\* These items are included in "cost of sales" in the consolidated income statement.

# These items are included in "other operating expenses" in the consolidated income statement.



# Notes to Consolidated Financial Statements

30 September 2013

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 HK\$'000	2012 HK\$'000
Fees	960	960
Others emoluments:		
Salaries, allowances and benefits in kind	5,717	5,737
Pension scheme contributions	45	39
Equity-settled share option expenses	896	896
(Reversal)/provision of long service payment	(19)	39
	6,639	6,711
	7,599	7,671

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the consolidated financial statements. The fair value of such options, which had been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Analysis of directors' and chief executive's remuneration on named basis is as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option expense HK\$'000	Long service payment HK\$'000	Total remuneration HK\$'000
Year ended 30 September 2013						
<b>Executive directors:</b>						
Ms. Wong King Ching, Helen	-	2,513	15	224	(17)	2,735
Mr. Leung Chi Fai	-	874	15	56	(1)	944
Ms. Wong King Man	-	2,330	15	224	(1)	2,568
	-	5,717	45	504	(19)	6,247
<b>Non-executive directors:</b>						
Mr. Wong Kim Seong	-	-	-	-	-	-
Ms. Wong Chun Ying	240	-	-	224	-	464
	240	-	-	224	-	464
<b>Independent non-executive directors:</b>						
Mr. So Day Wing	240	-	-	56	-	296
Mr. Wong Kun Kim (retired on 28 February 2013)	100	-	-	56	-	156
Ms. Kan Lai Kuen (retired on 28 February 2013)	100	-	-	56	-	156
Ms. Fong Yin Cheung (appointed on 28 February 2013)	140	-	-	-	-	140
Mr. Hung Yat Ming (appointed on 28 February 2013)	140	-	-	-	-	140
	720	-	-	168	-	888
	960	5,717	45	896	(19)	7,599

# Notes to Consolidated Financial Statements

30 September 2013

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option expense HK\$'000	Long service payment HK\$'000	Total remuneration HK\$'000
Year ended 30 September 2012						
<b>Executive directors:</b>						
Ms. Wong King Ching, Helen	-	2,527	13	224	2	2,766
Mr. Leung Chi Fai	-	876	13	56	3	948
Ms. Wong King Man	-	2,334	13	224	34	2,605
	-	5,737	39	504	39	6,319
<b>Non-executive directors:</b>						
Mr. Wong Kim Seong	-	-	-	-	-	-
Ms. Wong Chun Ying	240	-	-	224	-	464
	240	-	-	224	-	464
<b>Independent non-executive directors:</b>						
Mr. So Day Wing	240	-	-	56	-	296
Mr. Wong Kun Kim	240	-	-	56	-	296
Ms. Kan Lai Kuen	240	-	-	56	-	296
	720	-	-	168	-	888
	960	5,737	39	896	39	7,671

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: three) directors and chief executive, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2012: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and allowances	744	840
Pension scheme contributions	30	26
Equity-settled share option expense	242	36
(Reversal)/provision of long service payments	(7)	21
	1,009	923

# Notes to Consolidated Financial Statements

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## 10. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director and non-chief executive, highest paid employees whose remuneration fall within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	2	2

In prior years, share options were granted to a non-director and non-chief executive, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 11. INCOME TAX

No provision for Hong Kong profits tax had been made during the year ended 30 September 2013 (2012: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2012: 25%).

	2013 HK\$'000	2012 HK\$'000
Current tax – Mainland China	5,702	3,900
Deferred tax (note 29)	945	1,683
	<b>6,647</b>	5,583

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the region jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2013		2012	
	HK\$'000	%	HK\$'000	%
Loss before tax	(206,676)		(205,365)	
Notional tax on loss before tax, calculated at the applicable tax rates in the respective jurisdictions	(50,535)	(24.5%)	(48,232)	(23.5%)
Profits and loss attributable to a jointly-controlled entity	(1,890)	(0.9%)	1,012	0.5%
Income not subject to tax	(6,303)	(3.0%)	(1,820)	(0.9%)
Expenses not deductible for tax	59,206	28.6%	50,791	24.7%
Tax losses not recognised	6,169	3.0%	3,832	1.9%
Tax charge at the Group's effective rate	<b>6,647</b>	<b>3.2%</b>	5,583	2.7%

No share of tax attributable to the jointly-controlled entity is included in "Share of loss of a jointly-controlled entity" on the face of the consolidated income statement (2012: Nil).

# Notes to Consolidated Financial Statements

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## 12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 30 September 2013 included a loss of HK\$10,629,000 (2012: 8,320,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the amount of consolidated loss for the year attributable to equity holders of the parent dealt with in the financial statements of the Company to the Company's loss for the year is as follows:

	2013 HK\$'000	2012 HK\$'000
Amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company	(10,629)	(8,320)
Impairment loss on amounts due from subsidiaries	(24,672)	–
Company's loss for the year	(35,301)	(8,320)

## 13. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of basic and diluted loss per share are based on:

	2013 HK\$'000	2012 HK\$'000
<b>Loss:</b>		
Loss for the year attributable to equity holders of the parent	213,323	210,948
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	1,016,001	1,016,001
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	4,281	9,020
Weight average number of ordinary shares for the purpose of calculating diluted loss per share	1,020,282	1,025,021

# Notes to Consolidated Financial Statements

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## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>30 September 2013</b>								
At 30 September 2012 and: at 1 October 2012:								
Cost or valuation	6,650	435,743	90,021	647,528	7,837	1,046	97,056	1,285,881
Accumulated depreciation and impairment	(3,889)	(175,733)	(87,530)	(557,502)	(1,032)	(1,019)	-	(826,705)
Net carrying amount	2,761	260,010	2,491	90,026	6,805	27	97,056	459,176
At 1 October 2012, net of accumulated depreciation and impairment								
	2,761	260,010	2,491	90,026	6,805	27	97,056	459,176
Additions	-	-	238	1,128	-	-	13,615	14,981
Surplus/(deficit) on revaluation	-	4,730	-	34,996	(1,870)	-	-	37,856
Depreciation provided during the year (note 8)	(76)	(21,720)	(1,464)	(64,785)	(954)	(10)	-	(89,009)
Transfers to investment properties	(1,216)	(4,510)	-	-	-	-	-	(5,726)
Exchange realignment	-	7,279	52	2,301	111	-	3,131	12,874
At 30 September 2013, net of accumulated depreciation and impairment								
	1,469	245,789	1,317	63,666	4,092	17	113,802	430,152
At 30 September 2013:								
Cost or valuation	3,290	452,364	92,905	668,204	5,082	1,047	113,802	1,336,694
Accumulated depreciation and impairment	(1,821)	(206,575)	(91,588)	(604,538)	(990)	(1,030)	-	(906,542)
Net carrying amount	1,469	245,789	1,317	63,666	4,092	17	113,802	430,152
Analysis of cost or valuation:								
At cost	3,290	-	92,905	-	-	1,047	113,802	211,044
At valuation	-	452,364	-	668,204	5,082	-	-	1,125,650
	3,290	452,364	92,905	668,204	5,082	1,047	113,802	1,336,694

# Notes to Consolidated Financial Statements

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## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>30 September 2012</b>									
At 30 September 2011 and: at 1 October 2011:									
Cost or valuation	6,650	327,263	89,520	548,847	8,066	14,621	1,046	119,992	1,116,005
Accumulated depreciation and impairment	(3,810)	(147,748)	(78,321)	(421,377)	(585)	(5,848)	(1,012)	-	(658,701)
Net carrying amount	2,840	179,515	11,199	127,470	7,481	8,773	34	119,992	457,304
At 1 October 2011, net of accumulated depreciation and impairment									
	2,840	179,515	11,199	127,470	7,481	8,773	34	119,992	457,304
Additions	-	-	-	3,094	591	-	-	57,636	61,321
Disposals	-	-	-	(1,233)	-	-	-	-	(1,233)
Surplus/(deficit) on revaluation	-	16,200	-	13,411	(389)	-	-	-	29,222
Impairment* (note 8)	-	-	-	-	-	(7,352)	-	-	(7,352)
Depreciation provided during the year (note 8)	(79)	(16,067)	(8,773)	(55,346)	(908)	(1,470)	(11)	-	(82,654)
Transfers	-	79,361	-	1,900	-	-	-	(81,261)	-
Exchange realignment	-	1,001	65	730	30	49	4	689	2,568
At 30 September 2012, net of accumulated depreciation and impairment	2,761	260,010	2,491	90,026	6,805	-	27	97,056	459,176
At 30 September 2012:									
Cost or valuation	6,650	435,743	90,021	647,528	7,837	-	1,046	97,056	1,285,881
Accumulated depreciation and impairment	(3,889)	(175,733)	(87,530)	(557,502)	(1,032)	-	(1,019)	-	(826,705)
Net carrying amount	2,761	260,010	2,491	90,026	6,805	-	27	97,056	459,176
Analysis of cost or valuation:									
At cost	6,650	-	90,021	-	-	-	1,046	97,056	194,773
At valuation	-	435,743	-	647,528	7,837	-	-	-	1,091,108
	6,650	435,743	90,021	647,528	7,837	-	1,046	97,056	1,285,881

\* The impairment in the current year comprises moulds that have no longer been used.

# Notes to Consolidated Financial Statements

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## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's buildings located in Hong Kong were revalued at 30 September 2013 on an open market value, existing use basis by reference to market evidence of transaction prices for similar properties, at HK\$6,780,000 (2012: HK\$10,860,000). The Group's buildings located elsewhere in the PRC were revalued at 30 September 2013 on a depreciated replacement cost basis by reference to current replacement cost of the buildings, at HK\$239,009,000 (2012: HK\$249,150,000). Revaluation surplus of HK\$4,730,000 (2012: HK\$16,200,000) resulting from the revaluations have been credited to other comprehensive income.

The Group's buildings included above are held under the following lease terms:

	2013 HK\$'000	2012 HK\$'000
Hong Kong, held under a medium-term leases	6,780	10,860
Mainland China, held under a medium-term leases	239,009	249,150
	<b>245,789</b>	260,010

The Group's leasehold land is situated in Hong Kong held under a medium-term lease.

The Group's plant, machinery and office equipment was revalued at 30 September 2013 on a depreciated replacement cost basis by reference to current replacement cost of the plant and machinery and office equipment at HK\$63,666,000 (2012: HK\$90,026,000). Revaluation surplus of HK\$34,996,000 (2012: HK\$13,411,000) resulting from the revaluations have been credited to other comprehensive income.

The Group's motor vehicles were revalued at 30 September 2013 on an open market value, existing use basis by reference to market evidence of transaction prices for similar vehicles, at HK\$4,092,000 (2012: HK\$6,805,000). Revaluation deficit of HK\$1,870,000 (2012: HK\$389,000) resulting from the revaluation have been charged to other comprehensive income.

The Group's building, plant, machinery and office equipment and motor vehicles were individually at end of reporting period revalued by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuer, which have appropriate qualifications and experience in the valuation of these properties.

Certain leasehold land and buildings of the Group with a total carrying value of HK\$110,653,000 (2012: HK\$136,510,000) were pledged to secure banking facilities granted to the Group as at 30 September 2013 (note 28).

# Notes to Consolidated Financial Statements

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## 15. INVESTMENT PROPERTIES

	2013 HK\$'000	2012 HK\$'000
Carrying amount at beginning of the year	63,770	56,712
Transfer from owner-occupied property	21,510	–
Gain from a fair value adjustment (note 6)	4,164	6,732
Exchange realignment	1,988	326
Carrying amount at end of the year	91,432	63,770

The investment properties, with a carrying amount of HK\$69,922,000 (2012: HK\$63,770,000) and HK\$21,510,000 (2012: Nil), are situated in Mainland China and Hong Kong, respectively, and are held under medium term leases.

The Group's investment properties were revalued on 30 September 2013 by LCH (Asia-Pacific) Surveyors Limited, an independent professionally qualified valuer at HK\$91,432,000 (2012: HK\$63,770,000) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further details of which included in note 35(a) to the consolidated financial statements.

At 30 September 2013, an investment property with a carrying amount of HK\$21,510,000 was pledged to secure banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are included on page 80.

## 16. PREPAID LAND LEASE PAYMENTS

	2013 HK\$'000	2012 HK\$'000
Carrying amount at beginning of the year	68,967	70,331
Amortisation during the year (note 8)	(1,858)	(1,830)
Exchange realignment	2,030	466
Carrying amount at end of the year	69,139	68,967
Current portion included in prepayments, deposits and other receivables	(1,858)	(1,830)
Non-current portion	67,281	67,137

The leasehold land is situated in Mainland China and is held under a medium term land use rights.

Certain prepaid land lease payments of the Group with a carrying value of HK\$14,217,000 (2012: HK\$12,614,000) were pledged to secure banking facilities granted to the Group as at 30 September 2013 (note 28).



# Notes to Consolidated Financial Statements

30 September 2013

## 17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2013 HK\$'000	2012 HK\$'000
Share of net assets	2,072	9,456
Amount due from a jointly-controlled entity	–	326
	<b>2,072</b>	9,782

At 30 September 2012, the amount due from a jointly-controlled entity was unsecured, interest-free and had no fixed term of repayment.

Particulars of a jointly-controlled entity are as follows:

Name of entity	Place of incorporation	Class of share held	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Taiwan Communication (Fujian) Company Limited	PRC	Registered capital of USD10,000,000 each	40	40	40	Manufacture and trading of telecommunication products

Interest in the jointly-controlled entity is indirectly held by the Company.

The following table summarised of an unaudited financial information of the Group's jointly-controlled entity:

	2013 HK\$'000	2012 HK\$'000
Share of the jointly-controlled entity's assets and liabilities:		
Non-current assets	2,764	3,153
Current assets	24,008	27,710
Current liabilities	(24,700)	(21,407)
Net assets	<b>2,072</b>	9,456
Share of the jointly-controlled entity's results:		
Income	1,198	2,603
Expenses	(8,759)	(6,652)
Loss after tax	<b>(7,561)</b>	(4,049)

# Notes to Consolidated Financial Statements

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## 18. AVAILABLE-FOR-SALE INVESTMENT

	2013 HK\$'000	2012 HK\$'000
Listed investment at fair value:		
In Hong Kong	2,373	6,430

During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$3,541,000 (2012: gain of HK\$1,062,000), of which HK\$1,295,000 (2012: Nil) was reclassified from other comprehensive income to the consolidated income statement for the year.

The above investment consist of investment in equity security which was designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 19. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balances represent aggregate deposits of HK\$731,000 (2012: HK\$711,000) paid in respect of purchases of property, plant and equipment. The related capital commitments are set out in note 36.

## 20. INVENTORIES

	2013 HK\$'000	2012 HK\$'000
Raw materials	119,579	129,329
Work in progress	60,213	92,384
Finished goods	71,348	71,882
	251,140	293,595

## 21. LOAN RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Loans advanced to independent third parties (note)	–	150,246
Interest receivable from independent third parties (note)	–	5,672
	–	155,918

Note: At 30 September 2012, the Group's other receivables amounted to HK\$150,246,000 with respect to loans of RMB78,750,000 (equivalent to HK\$96,390,000) and RMB44,000,000 (equivalent to HK\$53,856,000) granted by the Group to two independent third parties pursuant to loan agreements dated 9 June 2012 and 10 June 2012, respectively. The loans are secured by a corporate guarantee executed by an independent third party, repayable within one year and interest-bearing at the rate of 9.2% per annum. The balances were fully settled during the year.

# Notes to Consolidated Financial Statements

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## 22. TRADE RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade receivables	226,296	189,552
Impairment	(20,818)	(41,057)
	<b>205,478</b>	148,495

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2013 HK\$'000	2012 HK\$'000
Within 3 months	100,757	111,375
4 to 6 months	75,475	35,895
Over 7 months	29,246	1,225
	<b>205,478</b>	148,495

The movement in provision for impairment of trade receivables are as follows:

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	41,057	40,982
Impairment losses recognised	13,105	4,108
Impairment losses reversed	(20,626)	(4,261)
Amount written off as uncollectible	(13,615)	-
Exchange realignment	897	228
Balance at end of the year	<b>20,818</b>	41,057

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$13,105,000 (2012: HK\$4,108,000) with a carrying amount before provision of HK\$14,266,000 (2012: HK\$4,334,000).

The individually impaired trade receivables related to customers that were in financial difficulties and over due for more than one year and management assessed that the recoverability of these receivables is in doubt. The Group does not hold any collateral over these balances.

# Notes to Consolidated Financial Statements

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## 22. TRADE RECEIVABLES (Continued)

The aged analysis of the trade receivables that are not individually nor collective by considered to be impaired is as follows:

	2013 HK\$'000	2012 HK\$'000
Neither past due nor impaired	43,452	73,761
Within 3 months past due	57,305	51,590
4 to 6 months past due	75,475	22,496
Over 7 months past due	29,246	648
	<b>205,478</b>	148,495

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, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Prepayments	3,885	4,774
Deposits paid	5,032	8,277
Other receivables	21,440	24,438
Impairment*	(9,244)	(12,796)
	<b>21,113</b>	24,693

\* Impairment losses in respect of other 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 other receivables directly.

# Notes to Consolidated Financial Statements

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## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of other receivables are as follows:

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	12,796	10,049
Impairment (note 8)	2,029	7,637
Amount written off as uncollectible	(5,760)	(4,947)
Exchange realignment	179	57
Balance at end of the year	9,244	12,796

At 30 September 2013, the Group's other receivables of HK\$2,029,000 (2012: HK\$7,637,000) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and over due for more than one year and management assessed that the recoverability of these receivables is in doubt.

Prepayment, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2013 HK\$'000	2012 HK\$'000
Cash and bank balances	69,168	270,573
Non-pledged time deposits with original maturity of over three months and within one year when acquired	78,887	–
Pledged time deposits	–	16,354
	148,055	286,927
Less: Pledged time deposits for bank loans (note 28)	–	(16,354)
Cash and cash equivalents	148,055	270,573

At the end of the reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK\$129,607,000 (2012: HK\$235,446,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

# Notes to Consolidated Financial Statements

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## 25. TRADE PAYABLES

As aged analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Within 3 months	<b>71,656</b>	133,328
4 to 6 months	<b>34,910</b>	10,109
7 to 12 months	<b>7,683</b>	3,060
Over 1 year	<b>7,081</b>	5,318
	<b>121,330</b>	151,815

The trade payables are non-interest bearing and the average credit period on purchases is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 26. OTHER PAYABLES AND ACCRUALS

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Other payables and accruals	<b>62,457</b>	22,582
Deposits received from customers	<b>7,027</b>	10,957
	<b>69,484</b>	33,539

Other payables are non-interest-bearing and have an average term of 90 days.

## 27. DUE TO A DIRECTOR

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

# Notes to Consolidated Financial Statements

30 September 2013

## 28. INTEREST-BEARING BANK BORROWINGS

	2013			2012		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Trust receipt loans						
– secured	2.75	2013	1,817	3.05	2012	6,078
Bank loans – secured	2.39 - 7.08	2013 - 2014	198,608	2.21 - 9.20	2012 - 2013	494,937
Bank loans – unsecured	5.44 - 6.9	2013 - 2014	125,110	2.41 - 7.54	2012 - 2013	149,149
			<b>325,535</b>			650,164
				<b>2013</b>		2012
				<b>HK\$'000</b>		HK\$'000
Analysed into:						
On demand or within one year				<b>325,535</b>		650,164

Notes:

- (a) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.
- (b) Certain of the Group's bank borrowings are secured by:
- (i) certain leasehold land and buildings of HK\$110,653,000 (2012: HK\$136,510,000) (note 14);
  - (ii) investment property of HK\$21,510,000 (2012: Nil) (note 15);
  - (iii) certain prepaid land lease payments of HK\$14,217,000 (2012: HK\$12,614,000) (note 16);
  - (iv) pledged time deposits amounted to nil (2012: HK\$16,354,000) (note 24);
  - (v) corporate guarantee executed by the Company and the subsidiary companies within the Group; and
  - (vi) personal guarantee executed by the Company's director.
- (c) Except for the unsecured bank loan of HK\$113,490,000 (2012: HK\$121,704,000) and secured loans of HK\$98,989,000 (2012: HK\$342,720,000) bear interests at fixed interest rate, all other borrowings bear interests at floating interest rates.

# Notes to Consolidated Financial Statements

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## 29. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments of investment property HK\$'000	Revaluation of property, plant and equipment HK\$'000	Total HK\$'000
At 30 September 2011	4,727	31,448	36,175
Charged to the consolidated income statement (note 11)	1,683	–	1,683
Charged to other comprehensive income	–	7,308	7,308
Exchange differences	6	43	49
At 30 September 2012	6,416	38,799	45,215
Charged to the consolidated income statement (note 11)	945	–	945
Charged to other comprehensive income	–	9,400	9,400
Exchange differences	206	479	685
At 30 September 2013	7,567	48,678	56,245

At 30 September 2013, the Group had tax losses arising in Hong Kong of HK\$55,693,000 (2012: HK\$60,472,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 September 2013, there was no significant unrecognised deferred tax liabilities (2012: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.



# Notes to Consolidated Financial Statements

30 September 2013

## 30. PROVISION OF LONG SERVICE PAYMENT

	2013 HK\$'000	2012 HK\$'000
At beginning of the year	742	626
(Reversal)/ provision, net	(53)	116
At end of the year	689	742

Under the Hong Kong Employment Ordinance, an entity is required to make long service payment to its employees upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the specified circumstances. However, where an employment is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

## 31. OTHER BORROWING

The other borrowing is unsecured, non-interest-bearing and repayable over one year as at the end of reporting period.

## 32. SHARE CAPITAL

	2013 HK\$'000	2012 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 1,016,001,301 ordinary shares of HK\$0.10 each	101,600	101,600

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the consolidated financial statements.

## 33. SHARE OPTION SCHEME

### (a) Share Option Scheme adopted on 3 September 1999 (the "Old Option Scheme")

Pursuant to the Old Option Scheme, the exercise price of the share options was determinable by the directors, but could not be less than the higher of (1) 80% of the average of the closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of offer of grant of the share options; or (2) the nominal value of the shares of the Company. The Company terminated the Old Option Scheme, in response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules. The options granted under the Old Option Scheme expired on 24 October 2009.

# Notes to Consolidated Financial Statements

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## 33. SHARE OPTION SCHEME *(Continued)*

### (b) Share Option Scheme adopted on 25 February 2003 (the “New Option Scheme”)

The New Option Scheme was adopted on 25 February 2003. The purpose of the New Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the New Option Scheme include the directors (including executive directors and non-executive directors), employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, joint venture partner or business alliance of the Group and shareholders of the Group. The New Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the date of the offer for grant of the option.

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the New Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the New Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the New Option Scheme and other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted under the New Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non – executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non – executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the New Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer, which must be a business day; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer, which must be a business day; and (3) the nominal value of the Company's shares. A nominal consideration of HK\$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

Each option gives the holder the right to subscribe for one ordinary share in the Company.

# Notes to Consolidated Financial Statements

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## 33. SHARE OPTION SCHEME (Continued)

### (b) Share Option Scheme adopted on 25 February 2003 (the "New Option Scheme") (Continued)

On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019. At 30 September 2013, the number of shares in respect of which options had been granted under the New Option Scheme was 76,300,000 (2012: 88,600,000), representing 7.5% (2012: 8.7%) of the shares of the Company in issue at that date. The options outstanding had a weighted average remaining contractual life of 6.1 years (2012: 7.1 years).

The following table discloses movement of the Company's share options under the New Option Scheme held by employees and directors during the year:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise	Outstanding	Lapsed	Outstanding	Lapsed	Outstanding
				price	at	during	at	during	at
				per share	1/10/2011	the year	1/10/2012	the year	30/9/2013
				HK\$					
Executive Directors	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	4,500,000	-	4,500,000	-	4,500,000(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	4,500,000	-	4,500,000	-	4,500,000(*)
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	4,500,000	-	4,500,000	-	4,500,000(*)
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	4,500,000	-	4,500,000	-	4,500,000(*)
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	4,500,000	-	4,500,000	-	4,500,000
Non-Executive Director	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000
Independent Non-Executive Directors	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	1,500,000	-	1,500,000	-	1,500,000(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	1,500,000	-	1,500,000	-	1,500,000(*)
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	1,500,000	-	1,500,000	-	1,500,000(*)
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	1,500,000	-	1,500,000	-	1,500,000(*)
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	1,500,000	-	1,500,000	(1,000,000)	500,000
Associate of a Director	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000(*)
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	2,000,000	-	2,000,000	-	2,000,000
Employees	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	8,020,000	(300,000)	7,720,000	(2,260,000)	5,460,000(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	8,020,000	(300,000)	7,720,000	(2,260,000)	5,460,000(*)
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	8,020,000	(300,000)	7,720,000	(2,260,000)	5,460,000(*)
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	8,020,000	(300,000)	7,720,000	(2,260,000)	5,460,000(*)
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	8,020,000	(300,000)	7,720,000	(2,260,000)	5,460,000
					90,100,000	(1,500,000)	88,600,000	(12,300,000)	76,300,000
(*) Exercisable at the end of the reporting period									61,840,000

# Notes to Consolidated Financial Statements

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## 33. SHARE OPTION SCHEME (Continued)

### (b) Share Option Scheme adopted on 25 February 2003 (the “New Option Scheme”) (Continued)

The share options were granted on 2 November 2009. The closing price of the Company’s shares immediately before the date of grant of the options was HK\$0.19 and the estimated fair values of the shares under options at the date of grant ranged from HK\$0.1114 to HK\$0.1124 per share. These fair values were calculated using the Binomial Option Pricing Model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

#### *Inputs into the model*

Closing share price at date of grant	HK\$0.19
Exercise price	HK\$0.19
Expected volatility	85.93%
Expected option life	5 years
Expected dividend yield	3.3%
Risk-free interest rate	1.7%

The variables and assumptions used above are based on the best estimate of an independent firm of professional valuer, LCH (Asia-Pacific) Surveyors Limited. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No share option has been exercised during the year.

During the year, the Group recognised equity-settled share option expense of HK\$1,986,000 (2012: HK\$1,986,000) in relation to the share options granted by the Company.

# Notes to Consolidated Financial Statements

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## 34. STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Interests in subsidiaries	118,577	118,577
Available-for-sale investment	2,373	6,430
Total non-current assets	120,950	125,007
<b>CURRENT ASSETS</b>		
Due from subsidiaries (note)	308,206	335,774
Other receivables	22	62
Cash and cash equivalents	544	879
Total current assets	308,772	336,715
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	1,310	1,210
Due to a subsidiary (note)	2	2
Total current liabilities	1,312	1,212
<b>NET CURRENT ASSETS</b>	307,460	335,503
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	428,410	460,510
<b>NON-CURRENT LIABILITY</b>		
Provision of long service payment	242	261
Net assets	428,168	460,249
<b>EQUITY</b>		
Issued capital	101,600	101,600
Share premium account	177,325	177,325
Contributed surplus	118,377	118,377
Capital redemption reserve	509	509
Share option reserve	6,925	5,951
Available-for-sale investment revaluation reserve	2,518	272
Retained profits	20,914	56,215
Total equity	428,168	460,249

Note: Balances are unsecured, interest-free and repayable on demand.

# Notes to Consolidated Financial Statements

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## 35. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms of ranging from one to two years with an option to renew the lease after that date at which time all terms are renegotiated.

At 30 September 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Within one year	<b>265</b>	3,084
In the second to fifth year, inclusive	<b>–</b>	257
	<b>265</b>	3,341

### (b) As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms ranging from of one to three years.

At 30 September 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Within one year	<b>1,113</b>	1,274
In the second to fifth year, inclusive	<b>958</b>	2,007
	<b>2,071</b>	3,281

# Notes to Consolidated Financial Statements

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## 36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	1,897	9,805

## 37. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties, save as disclosed elsewhere in the consolidated financial statements, are as follows:

- (a) Details of the Group's balance with its jointly-controlled entity as at the end of the reporting period are disclosed in note 17 to the consolidated financial statements.
- (b) Details of terms and conditions of loan from a director are disclosed in note 27 to the consolidated financial statements.
- (c) The key management personnel of the Group are the directors and chief executive of the Company. Details of directors' and chief executive's emoluments are included in notes 9 and 10 to the consolidated financial statements.
- (d) At 30 September 2012, certain of the Group's interest-bearing bank borrowings was guaranteed by the Company's director. Details of which are set out in note 28 to the consolidated financial statements.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business.

# Notes to Consolidated Financial Statements

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## 38. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debts (which include borrowings) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio at 30 September 2013 and 2012 was as follows:

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Debt (note i)	<b>763,354</b>	913,084
Equity (note ii)	<b>456,473</b>	603,630
Debt to equity ratio	<b>167.2%</b>	151.3%

Notes:

- (i) Debt comprises the current liabilities and non-current liabilities.
- (ii) Equity includes all capital, reserves and retained profits of the Group.



# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2013 HK\$'000	2012 HK\$'000
<b>Financial assets</b>		
Available-for-sale investment	2,373	6,430
Loans and receivables	371,492	603,780
<b>Financial liabilities</b>		
Amortised cost	669,607	827,242

The Group is exposed to a variety of risks including foreign currency risk, interest rate risk and other price risks, credit risk and liquidity risk, which result from both its operating and investing activities.

### (a) Foreign currency risk

The Group's businesses are principally conducted in Hong Kong and the PRC. The majority of assets and liabilities are denominated in Hong Kong dollars, Renminbi ("RMB"), the United States dollars ("US\$") and Japanese Yen ("JPY").

#### (i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised monetary assets, monetary liabilities and derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate.

Group

	Exposure to foreign currencies (expressed in HK\$'000)					
	2013			2012		
	US\$	RMB	JPY	US\$	RMB	JPY
<b>Monetary assets and liabilities:</b>						
Trade receivables	2,654	222	–	40,903	486	–
Other receivables	2,459	26	–	2,027	–	–
Pledged time deposits	–	–	–	11,261	–	–
Cash and cash equivalents	14,461	499	60	20,322	221	25
Trade payables	(2,778)	(13,486)	(2,138)	(7,790)	(17,739)	(1,921)
Interest-bearing bank borrowing	(11,621)	–	(1,817)	(57,092)	–	(6,548)
	5,175	(12,739)	(3,895)	9,631	(17,032)	(8,444)

# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

#### (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2013			2012		
	Increase/ (decrease) in rates	Increase/ (decrease) in loss after tax HK\$'000	Increase/ (decrease) in accumulated losses HK\$'000	Increase/ (decrease) in rates	Increase/ (decrease) in loss after tax HK\$'000	Increase/ (decrease) in accumulated losses HK\$'000
If the RMB strengthens against US\$	5%	(581)	(581)	5%	(944)	(944)
If the RMB weakens against US\$	(5%)	581	581	(5%)	944	944
If the HK\$ strengthen against RMB	5%	(637)	(637)	5%	(852)	(852)
If the HK\$ weakens against RMB	(5%)	637	637	(5%)	852	852

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

No sensitivity analysis for the Group's exposure to currency risk arising from financial assets and liabilities denominated in Japanese Yen is prepared since the directors considered that the impact is insignificant. In addition, the Group's exposure to currency risk arising from US\$ against HK\$ is also considered by the directors as insignificant since HK\$ is pegged to US\$. Accordingly, no sensitivity analysis has been prepared.

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and also by way of forward currency contracts where necessary.

# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 28 for details of these borrowings).

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's variable-rate borrowings at the end of the reporting period:

	2013		2012	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
<b>Variable rate borrowings:</b>				
Bank loans	2.39 - 6.60	113,056	2.21 - 6.44	185,740

The Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

#### (ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both bank deposits and borrowings at the end of the reporting period. For bank deposits and variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding and the bank deposits at the end of the reporting period were outstanding for the whole year. A 50 basis points increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points increase/decrease and all other variables were held constant, the Group's loss after tax for the year ended 30 September 2013 would increase/decrease by HK\$565,000 (2012: HK\$929,000). Accumulated losses of consolidated equity would have increase/decrease by HK\$565,000 (2012: HK\$929,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rate.

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 exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2012.

# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Other price risks

The Group is exposed to equity price risk arising from available-for-sale investment. Management manages this exposure by closely monitor with the price risk and will consider hedging the risk exposure should the need arise.

Management's best estimate of the effect on the Group's loss after tax and other components of equity due to a reasonably possible change in the relevant underlying stock price, with all other variables held constant, at the end of the reporting period is as follows (the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2013		2012	
	Decrease/ (increase) in loss after tax HK\$'000	Increase/ (decrease) in available- for-sale investment revaluation reserve HK\$'000	Decrease/ (increase) in loss after tax HK\$'000	Increase/ (decrease) in available- for-sale investment revaluation reserve HK\$'000
Underlying stock price				
+10%	-	237	-	643
-10%	-	(237)	-	(643)

### (d) Credit risk

As at 30 September 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has to determine the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 13% (2012: 21%) of the total trade receivables was due from the Group's largest customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

### (e) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2013				2012			
	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	Total 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	Total HK\$'000
Trade payables, accruals and other payables	183,787	-	-	183,787	174,397	-	-	174,397
Due to a director	5,908	-	-	5,908	2,681	-	-	2,681
Interest-bearing bank borrowings	359,747	-	-	359,747	677,681	-	-	677,681
Other borrowing	-	154,377	-	154,377	-	-	-	-
	549,442	154,377	-	703,819	854,759	-	-	854,759

As explained in note 2 to the consolidated financial statements, the directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as a going concern.

### (f) Fair value measurements

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to Consolidated Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (f) Fair value measurements *(Continued)*

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

	2013			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Available-for-sale investments				
– Listed equity securities	2,373	–	–	2,373
	2012			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Available-for-sale investments				
– Listed equity securities	6,430	–	–	6,430

There was no transfer between instruments in Level 1 and Level 2 during the year 2013 and 2012.

### (g) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2013 and 2012.

# Notes to Consolidated Financial Statements

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## 40. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Particular of issued and paid-up share capital/ registered capital	Percentage of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary	
Sunway International (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	100%	100%	–	Investment holding
Kenko International Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	100%	Trading of electronic products
Regal Honour Industrial Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	100%	Trading of computer and electronic products
Guidy International Limited	Hong Kong	3 ordinary shares of HK\$1 each *6,500 non-voting deferred shares of HK\$1 each	100%	–	100%	Trading of electronic products
Sungo Holding Company Limited	Hong Kong	3 ordinary shares of HK\$1 each *6,500,000 non-voting deferred shares of HK\$1 each	100%	–	100%	Trading of electronic products
Xinwei Electronic Industrial Co., Ltd., Fujian **	PRC	HK\$183,655,813	100%	–	100%	Manufacture and trading of electronic products
Sunway Information Technology Company Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	100%	Investment holding
Putian Sunyee LCD Technology Co., Ltd. **	PRC	HK\$90,000,000	100%	–	100%	Manufacture of liquid crystal display products
Sunway Macao Commercial Offshore Company Limited	Macau	100,000 ordinary shares of MOP1 each	100%	–	100%	Trading of electronic products

\* The holders of the non-voting deferred shares are not entitled to any dividend, have no right to vote at general meetings, and only carry the right to receive the nominal amount paid-up or credited as paid-up on the non-voting deferred shares in a return of capital on liquidation after the holders of ordinary shares have received the sum of HK\$1,000,000,000 per ordinary share.

\*\* The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

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

# Notes to Consolidated Financial Statements

30 September 2013

## **41. COMPARATIVE AMOUNTS**

As further explained in note 3.2, due to the adoption of revised HKFRSs during the current reporting period, the presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

## **42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 30 December 2013.



# Particulars of Investment Properties

30 September 2013

<b>Description</b>	<b>Group interest</b>	<b>Use</b>	<b>Tenure</b>
Portions of Level 1, 2 and 3 No. 808 Wenxian Xi Road Chengxiang District Putian City Fujian Province The PRC	100%	Commercial	Medium term lease
Room 1705–1706A Nan Fung Centre 264–298 Castle Peak Road Tsuen Wan New Territories Hong Kong	100%	Commercial	Medium term lease