GROUP

S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

ANNUAL REPORT 2013

20th Listing Anniversary

企業社會責任大使

5 years+ 商界展關懷 caringcompany

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Lock Shui Cheung
Mr. Lau Ping Cheung
Mr. Yim Tsz Kit, Jacky

Independent Non-Executive Directors

Mr. Cheung Chi Kwan
Mr. Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Cheung Chi Kwan
Dr. Lui Ming Wah *SBS JP*

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Cheung Chi Kwan
Mr. Wong Sui Chuen

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopwell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

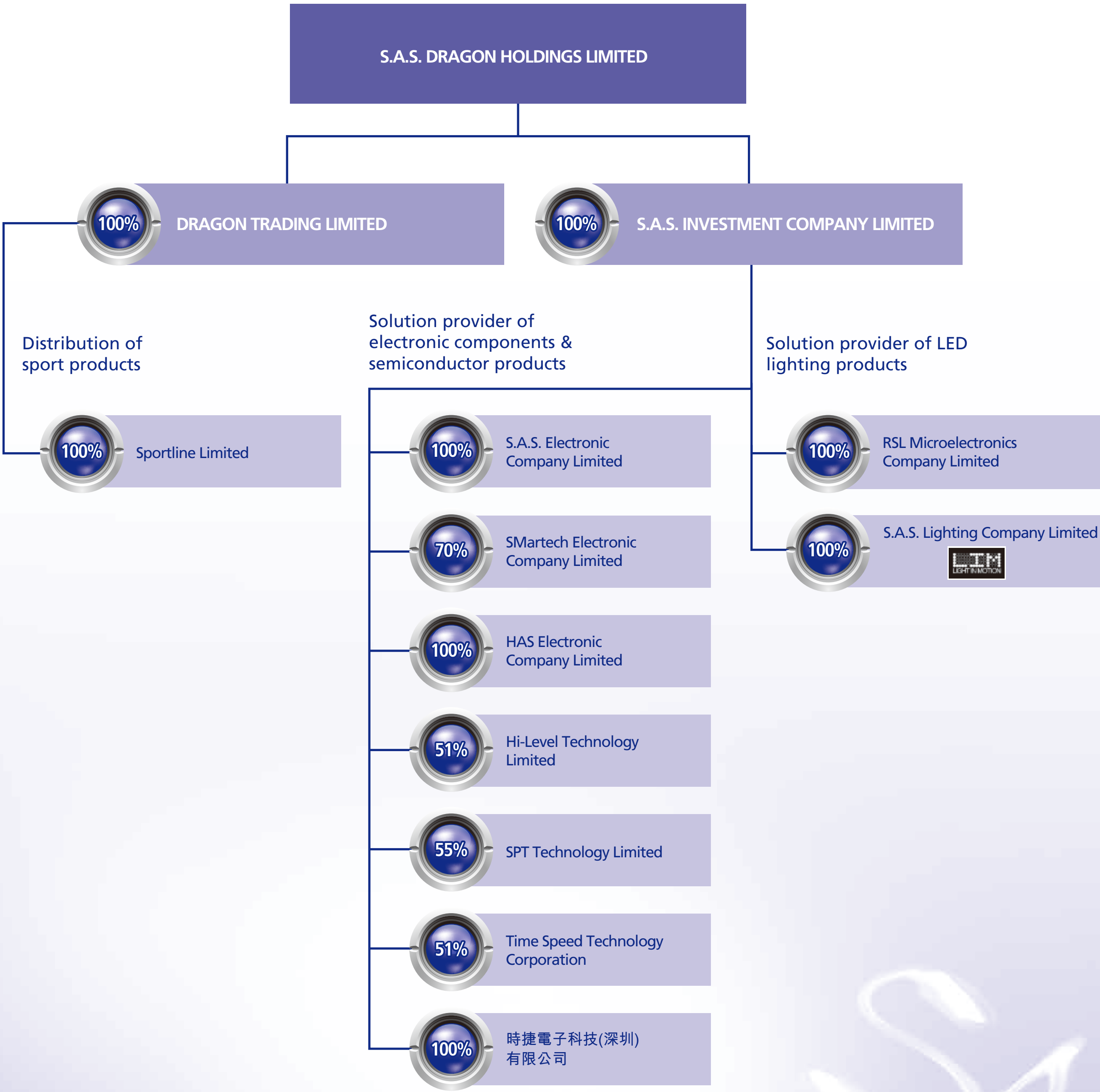
WEBSITE

http://www.sasdragon.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

GROUP STRUCTURE

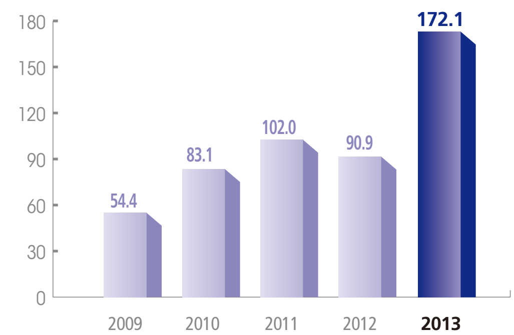


FINANCIAL HIGHLIGHTS

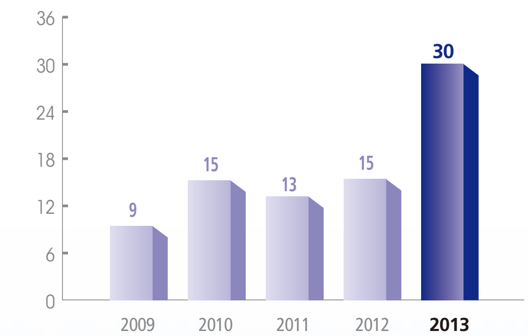
	2013	2012 (Restated)	Change
Revenue (HK$ million)	**10,798**	6,319	+71%
Profit attributable to owners of the Company (HK$ million)	**172.1**	90.9	+89%
Basic earnings per share (HK cents)	**65.03**	34.66	+88%
Dividend per share (HK cents)			
– Interim paid	**6.5**	3.0	+117%
– Proposed final	**20.0**	12.0	+67%
– Proposed special (To celebrate the Group's 20th listing anniversary)	**3.5**	–	N/A
– Total	**30.0**	15.0	+100%

Revenue
(HK$'million)

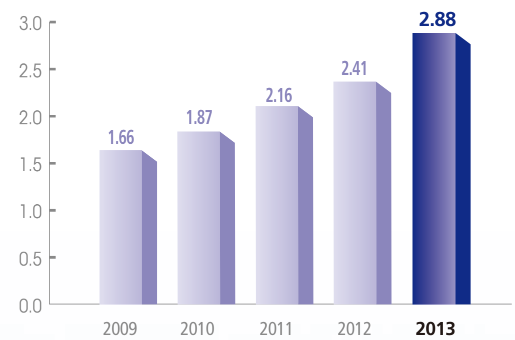
Profit attributable to owners of the Company
(HK$'million)



Dividend per share
(HK cents)



Net asset value per share
(HK$)



Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, S.A.S. GROUP IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA REGION. The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panel, memory chips, light-emitting diode ("LED") lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer, telecommunication, networking and LED lighting products. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers and valued-added resellers and has more than 15 sales offices in China, Hong Kong and Taiwan.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

In 2013, the Group exceeded its short-term revenue target of HK$10 billion, achieved an important milestone, by providing reliable electronic component supply chain services to our valuable customers in the Greater China region.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group achieved record sales revenue of HK$10,797,607,000, up 71% from HK$6,319,047,000 achieved last year. Gross profit was HK$442,978,000, up 64% from HK$270,759,000 achieved last year. Gross profit margin was 4.1%, declined from 4.3% recorded last year, mainly due to more sales of higher value products. The Group continued to proactively implement cost control measures to improve its cost efficiency such that its distribution, selling and administrative expenses collectively grew only by 15% when compared with last year. As a result, the net profit for the year was HK$172,134,000, increased 89% compared with HK$90,852,000 recorded last year. Basic earnings per share was HK65.03 cents (2012: HK34.66 cents).

DIVIDENDS & BONUS SHARES

To repatriate enhanced value to our shareholders and to celebrate the Group's 20th listing anniversary, the Board has recommended a final dividend of HK20 cents (2012: HK12 cents) per share together with a special dividend of HK3.5 cents (2012: Nil) per share for the year ended 31 December 2013. Together with an interim dividend of HK6.5 cents (2012: HK3 cents) per share already paid, total dividend for the year will amount to HK30 cents (2012: HK15 cents) per share. The Board also proposed a bonus shares on the basis of one bonus share for every one ordinary share. Above final and special dividends and bonus shares are subject to the approval by the shareholders at the forthcoming annual general meeting.

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

For the year ended 31 December 2013, electronic components distribution achieved record sales revenue of HK$10.8 billion, up 71% from HK$6.3 billion recorded last year. Such growth was driven by the robust demand of smartphones, tablets, telecommunication and networking products as well as the LED lighting products. Also, our newly incorporated subsidiary in Taiwan has made positive contributions to the Group during the year under review.

Mobile Phone

China smartphone vendors already take up five of the top ten places in terms of worldwide market share by leveraging their cost advantages, improved brand awareness and strong relationship with both domestic and global telecommunication carriers. Also, the fact that more China branded vendors successfully launched their secondary brand to promote their low-price high-specification smartphones through online selling has fuelled the growth momentum of the smartphone shipments. In 2013, we continued to record substantial revenue growth on mobile phone segment by working together with a number of leading China branded vendors.

Also, thanks to the technical innovation in mobile operating system, user interface and cloud-based services, demand of smartphone hardware upgrade further bolstered our revenue by delivering more quad-core and 8-core baseband processors, larger and high resolution panels, larger memory storage, higher resolution camera, more sensible touch panel as well as better audio solutions to those handset manufacturers, design house and module factories in the Greater China region.

Consumer Electronic

Global tablets shipments surpassed notebooks shipments in 2013. Growing demand of tablets, together with electronic learning products, high-end TVs, smart TV boxes, sport cameras and environmental friendly electronic appliances have continued to boost the Group's revenue during the year under review.

Telecommunication and Networking

With the rapid advancement in technology and increasing demand of high speed connection, the requirement of additional bandwidth, proliferation of smart devices, cloud computing and multimedia contents have boosted the Group's revenue by providing competitive solutions of 4G LTE networks, smart home, data center, and 3G router to those telecommunication and networking equipment manufacturers and system integrators during the year under review.

LED Lighting

LED lighting products have become more affordable after substantial price decline and brought forward the replacement trend over conventional lighting products. The Group's LED lighting products under owned brand LIM are widely adopted by property developers, hotels, shopping malls, retail shops, banks, offices and factories in China, Hong Kong, Macau and Singapore. By leveraging the Group's engineering expertise to deliver one-stop LED lighting solutions, the Group achieved sales revenue under the LED lighting business of approximate HK$411 million during the year under review, representing a growth of 42% compared with HK$289 million recorded last year.

Properties investment

As of 31 December 2013, the Group continue to carry the 6 units of investment properties (31 December 2012: 6 units), all of which are commercial units located in Hong Kong. The aggregate carrying value of investment properties amounted to HK$193 million (31 December 2012: HK$177 million).

The above investment properties altogether generated rental income of HK$5.8 million (2012: HK$4.6 million) with an anualized return of 3.0% (2012: 2.6%).

OUTLOOK

Looking ahead, despite the deceleration of economic growth in China, we are still cautiously optimistic about our business outlook in 2014.

We expect that global smartphone shipments will continue to grow in 2014 and China smartphone vendors will account for over 50% of global smartphone sales soon. Also, as 4G LTE licenses had been issued to the major three telecommunication carriers in China in late 2013, we are well positioned to benefit from the ramping demand for 4G LTE-compatible smartphones and 4G LTE related infrastructure.

Furthermore, we expect the LED penetration rate will rise at a rapid pace over the coming years, compared with around 15%-20% of the global lighting market at present. We are confident to achieve another sizeable growth by our LED lighting division in 2014.

In October 2013, Hon Hai Group has raised its stake in the Group to 23%. It reflects its recognition of the Group's value and its confidence towards the Group's future development. We expect to secure more business opportunities with Hon Hai Group in 2014.

We have confidence that the Group will continue to perform competitively in the Greater China region by virtue of our economies of scales, solid customer relations supported by our strong localized sales and field application engineers, competent inventory management and other value added services. Meanwhile, the Group will continue to adopt measures to reduce expenditure, control costs in a proactive manner with the aim of strengthening the operation efficiency of the Group.

Being the leading electronic component distributor in Hong Kong, we will continue to pursue a healthy and sustainable business growth and are confident to generate more returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 25 March 2014

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2013, the Group's current ratio was 121% (31 December 2012: 116%). The Group's net gearing ratio was 28% (31 December 2012: 57%), defined as the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of HK$246,366,000 (31 December 2012: HK$411,555,000) over total equity of HK$762,547,000 (31 December 2012: HK$632,926,000).

The Group recorded debtors turnover of approximately 30 days for the year under review (2012: 43 days) based on the amount of trade and bills receivables as at 31 December 2013 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 23 days and 31 days respectively for the year under review (2012: approximately 37 days and 42 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2013, divided by cost of sales for the same year and multiplied by 365 days.

In 2013, the Group generated net operating cash inflow of HK$289,055,000 compared with net operating cash outflow of HK$197,606,000 in 2012.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2013, the Group employed approximately 500 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 54, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group's management team. Mr. Yim was appointed as independent director of Innolux Corporation, a listed company in the Taiwan Stock Exchange, on 19 June 2013. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Hong Kong Professionals and Senior Executives Association, a member of Yan Chai Hospital Advisory Board, a member of Shanghai Committee of Chinese People's Political Consultative Conference, a member of Yun Fu City Committee of Chinese People's Political Consultative Conference, a member of the Independent Police Complaints Council and the chairman of Fight Crime Committee of Tsuen Wan District.

Mr. Wong Sui Chuen, aged 60, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Lock Shui Cheung, aged 51, was appointed as an Executive Director of the Company in 2010. He holds a higher diploma in Marine Electronics from Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of Hull, England. He has more than twenty years sales and management experience in electronic components distribution business with various global companies including Toshiba Electronics, National Semiconductor and Arrow Electronics.

Mr. Lau Ping Cheung, aged 43, was appointed as an Executive Director of the Company in 2011. He joined S.A.S. Electronic Company Limited, a wholly owned subsidiary of the Company in 2002 and is currently the Sales Vice President of S.A.S. Electronic Company Limited. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over twenty years experience in electronic field on sales, marketing and R&D project development.

Mr. Yim Tsz Kit, Jacky, aged 29, was appointed as an Executive Director of the Company on 16 May 2013. He joined the Group in 2009 and is currently as the Director of S.A.S. Lighting Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 76, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-Tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

Mr. Wong Tak Yuen, Adrian, aged 59, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontairo, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Liu Chun Ning, Wilfred, aged 52, was appointed as an Independent Non-Executive Director of the Company in 2001. He is an non-executive director of Liu Chong Hing Investment Limited and an independent non-executive director of Get Nice Holdings Limited, whose shares are listed in the Hong Kong Stock Exchange. He was appointed as independent non-executive director of Seamless Green China (Holdings) Limited during 2008 to July 2011 and executive director of Chong Hing Bank Limited during 1998 to February 2014, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 54, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Wang Yi, Michael, aged 47, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 47, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

Mr. Chang Wei Hua, Benson, aged 49, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He graduated from Tung-Nan Institute of Technology in Taiwan with a Bachelor's degree in Electronics Engineering. He has more than twenty years management experience in electronic field on sales, marketing and R & D project.

Mr. Wei Wei, aged 44, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He graduated from Huazhong University of Science & Technology in WuHan with a Bachelor's degree in Electronics Engineering. He has more than eighteen years management experience in electronics field on sales, marketing and R & D project.

Mr. Chin Kan Tak, Danny, aged 57, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 42, joined the Group in 2005 as the Company Secretary and Financial Controller of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over fifteen years experience in accounting, auditing, taxation and financial management.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 5 executive directors, namely Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen, Mr. Lock Shui Cheung, Mr. Lau Ping Cheung and Mr. Yim Tsz Kit, Jacky and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian. Mr. Yim Tsz Kit, Jacky is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2013 fell within the following bands:

	Number of individual 2013
HK$1,000,001 to HK$1,500,000	4
Exceeding HK$1,500,000	1

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to the Directors. Additionally, training has been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Lui Ming Wah *SBS JP*. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2013 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

During the financial year ended 31 December 2013, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	**Amount**
	HK$'000
Audit fee	1,383
Non-audit and tax related services	160

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Two meetings have been held during the year under review.

NOMINATION COMMITTEE

The Nomination Committee comprises 3 members namely Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian. Two meetings have been held during the year under review.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to sets out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held nine meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") during the year are set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meeting(s)	9	2	2	2	1
Executive Directors					
Yim Yuk Lun, Stanley *JP*	9/9	N/A	N/A	N/A	1/1
Wong Sui Chuen	9/9	N/A	2/2	2/2	1/1
Lock Shui Cheung	9/9	N/A	N/A	N/A	1/1
Lau Ping Cheung	9/9	N/A	N/A	N/A	1/1
Yim Tsz Kit, Jacky *(appointed on 16 May 2013)*	4/4	N/A	N/A	N/A	N/A
Non-Executive Director					
Dr. Chang Chu Cheng *(retired on 14 May 2013)*	0/5	0/1	N/A	N/A	0/1
Independent Non-Executive Directors					
Cheung Chi Kwan	9/9	2/2	N/A	2/2	1/1
Liu Chun Ning, Wilfred	9/9	N/A	N/A	N/A	0/1
Dr. Lui Ming Wah *SBS JP* *(appointed as the member of audit committee on 14 May 2013)*	9/9	1/1	2/2	N/A	0/1
Wong Tak Yuen, Adrian	9/9	2/2	2/2	2/2	1/1

In respect of the code provision A.6.7 of the Code, three non-executive directors were unable to attend the AGM meeting of the Company held on 14 May 2013 due to their unexpected business engagement.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with relevant legislation and regulations. The system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risks of material misstatement, fraud or losses.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

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 SGM.

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

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. 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 GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong not less than six weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited 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 in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 24 and 25.

An interim dividend of HK6.5 cents per share, amounting to approximately HK$17,221,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK20 cents per share and a special dividend of HK3.5 cents per share to the shareholders on the register of members on 10 June 2014.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 42.87% and 70.22%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 15.23% and 36.75%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd., a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2013, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK$192,600,000. The revaluation resulted in a surplus of HK$15,300,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 15 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2013 are set out on page 104.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in notes 30 and 31(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2013, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$125,782,000 (2012: HK$171,044,000) as disclosed in note 39 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP (Chairman and Managing Director)*
Wong Sui Chuen
Lock Shui Cheung
Lau Ping Cheung
Yim Tsz Kit, Jacky (appointed on 16 May 2013)

Non-Executive Director

Dr. Chang Chu Cheng (retired on 14 May 2013)

Independent Non-Executive Directors

Cheung Chi Kwan
Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS JP*
Wong Tak Yuen, Adrian

In accordance with Clause 86(2) and 87 of the Company's Bye-Laws, Mr. Yim Tsz Kit, Jacky, Mr. Lau Ping Cheung, Mr. Cheung Chi Kwan and Mr. Wong Tak Yuen, Adrian retire and, being eligible, offer themselves for re-election at the annual general meeting.

The term of office for all directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	13,990,000	5.28%
	Held by controlled corporation (note)	66,571,400	25.13%
		80,561,400	30.41%
Lock Shui Cheung	Beneficial owner	1,000,000	0.38%
Wong Sui Chuen	Beneficial owner	912,000	0.34%
Lau Ping Cheung	Beneficial owner	300,000	0.11%

(b) the underlying shares – unlisted warrants of the Company

Name of director	Capacity	Number of warrants held	Number of underlying shares
Yim Yuk Lun, Stanley *JP*	Held by controlled corporation (note)	47,200,000	47,200,000

Note: These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2013.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in notes 31(a) and 31(b) to the consolidated financial statements. The Company has not granted or issued any share option during the year. No options were outstanding during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's warrants and share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Held by controlled corporation (note)	62,000,000	23.40%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	62,000,000	23.40%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2013.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in notes 31(c) and 38 to the consolidated financial statements,

(i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 38 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 38 to the consolidated financial statements in accordance with Main Board Listing Rule 14A.38.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible directors and employees, details of the scheme is set out in notes 31(a) and 31(b) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2013.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK$225,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 25 March 2014

Deloitte.
德勤

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 102, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, 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 31 December 2013, and of its profit 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000 (Restated)
Revenue	7	**10,797,607**	6,319,047
Cost of sales		**(10,354,629)**	(6,048,288)
Gross profit		**442,978**	270,759
Other income		**5,526**	14,883
Other gains and losses	10	**21,351**	(777)
Distribution and selling expenses		**(57,191)**	(51,206)
Administrative expenses		**(160,646)**	(138,581)
Increase in fair value of investment properties		**15,300**	41,000
Share of loss of associates		**(259)**	(97)
Share of profit of joint ventures		**3,812**	530
Finance costs	8	**(20,894)**	(14,265)
Profit before tax		**249,977**	122,246
Income tax expense	9	**(35,952)**	(13,487)
Profit for the year	10	**214,025**	108,759
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment		**300**	150
Reclassification adjustment on disposal of available-for-sale investment		**–**	2,773
Exchange differences arising on translation of foreign operations		**1,073**	1,180
Share of other comprehensive income of an associate		**8**	8
Share of other comprehensive income of joint ventures		**139**	114
Other comprehensive income for the year		**1,520**	4,225
Total comprehensive income for the year		**215,545**	112,984

	NOTE	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**172,134**	90,852
Non-controlling interests		**41,891**	17,907
		214,025	108,759
Total comprehensive income attributable to:			
Owners of the Company		**173,595**	94,906
Non-controlling interests		**41,950**	18,078
		215,545	112,984
Earnings per share (HK cents)	*14*		
– basic		**HK65.03 cents**	HK34.66 cents
– diluted		**HK61.43 cents**	HK34.66 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)	1.1.2012 HK$'000 (Restated)
Non-current Assets				
Investment properties	15	**192,600**	177,300	136,300
Property, plant and equipment	16	**195,721**	184,648	148,764
Prepaid lease payments	17	**9,136**	9,112	9,080
Goodwill	18	**16,419**	20,392	20,392
Interests in associates	19	**166**	417	506
Interests in joint ventures	20	**17,771**	13,820	13,176
Available-for-sale investments	21	**33,542**	34,414	13,912
Club memberships	22	**3,278**	3,278	3,278
Deposit paid for acquisition of property, plant and equipment		**13,598**	9,600	14,508
Deferred tax assets	32	**4,493**	3,399	2,918
		486,724	456,380	362,834
Current Assets				
Inventories	23	**660,775**	616,711	352,260
Trade and other receivables	24	**928,615**	801,145	460,645
Bills receivable	24	**26,848**	9,745	7,448
Derivative financial instruments	28	**465**	–	–
Prepaid lease payments	17	**199**	194	189
Financial assets at fair value through profit or loss	25	**24,841**	54,785	113,744
Taxation recoverable		**931**	2,732	4,720
Pledged bank deposits	26	**13,153**	3,961	3,149
Bank balances and cash	26	**614,989**	407,599	621,422
		2,270,816	1,896,872	1,563,577
Current Liabilities				
Trade and other payables	27	**747,868**	501,444	438,768
Bills payable	27	**202,277**	242,605	59,125
Derivative financial instruments	28	**1,926**	7,909	8,776
Tax liabilities		**27,721**	6,666	5,598
Bank borrowings – due within one year	29	**899,349**	877,900	775,529
		1,879,141	1,636,524	1,287,796
Net Current Assets		**391,675**	260,348	275,781
Total Assets less Current Liabilities		**878,399**	716,728	638,615
Non-current Liabilities				
Bank borrowings – due after one year	29	**–**	–	11,250
Net Assets		**878,399**	716,728	627,365

	NOTE	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)	1.1.2012 HK$'000 (Restated)
Capital and Reserves				
Share capital	30	**26,494**	26,214	26,214
Share premium and reserves		**736,053**	606,712	539,380
Equity attributable to owners of the Company		**762,547**	632,926	565,594
Non-controlling interests		**115,852**	83,802	61,771
Total Equity		**878,399**	716,728	627,365

The consolidated financial statements on pages 24 to 102 were approved and authorised for issue by the Board of Directors on 25 March 2014 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(note i)*	Contributed surplus HK$'000 *(note ii)*	Property revaluation reserve HK$'000 *(note iii)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	26,214	33,510	1,109	11,145	13,519	37,347	(1,674)	3,568	–	440,856	565,594	61,771	627,365
Profit for the year	–	–	–	–	–	–	–	–	–	90,852	90,852	17,907	108,759
Fair value gain on available-for-sale investment	–	–	–	–	–	–	150	–	–	–	150	–	150
Reclassification adjustment on disposal of available-for-sale investment	–	–	–	–	–	–	2,773	–	–	–	2,773	–	2,773
Exchange differences arising on translation of foreign operations													
– subsidiaries	–	–	–	–	–	–	–	1,009	–	–	1,009	171	1,180
– an associate	–	–	–	–	–	–	–	8	–	–	8	–	8
– joint ventures	–	–	–	–	–	–	–	114	–	–	114	–	114
Total comprehensive income for the year	–	–	–	–	–	–	2,923	1,131	–	90,852	94,906	18,078	112,984
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	6,448	6,448
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,500)	(1,500)
Dividends paid (note 13)	–	–	–	–	–	–	–	–	–	(34,078)	(34,078)	–	(34,078)
Disposal of a subsidiary (note 33)	–	–	–	–	–	–	–	–	–	–	–	(995)	(995)
Equity-settled share-based payments	–	–	–	–	–	–	–	–	6,504	–	6,504	–	6,504
At 31 December 2012	26,214	33,510	1,109	11,145	13,519	37,347	1,249	4,699	6,504	497,630	632,926	83,802	716,728
Profit for the year	–	–	–	–	–	–	–	–	–	172,134	172,134	41,891	214,025
Fair value gain on available-for-sale investment	–	–	–	–	–	–	300	–	–	–	300	–	300
Exchange differences arising on translation of foreign operations													
– subsidiaries	–	–	–	–	–	–	–	1,014	–	–	1,014	59	1,073
– an associate	–	–	–	–	–	–	–	8	–	–	8	–	8
– joint ventures	–	–	–	–	–	–	–	139	–	–	139	–	139
Total comprehensive income for the year	–	–	–	–	–	–	300	1,161	–	172,134	173,595	41,950	215,545
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(10,500)	(10,500)
Dividends paid (note 13)	–	–	–	–	–	–	–	–	–	(49,014)	(49,014)	–	(49,014)
Exercise of warrants	280	5,124	–	–	–	–	–	–	(364)	–	5,040	–	5,040
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	600	600
At 31 December 2013	26,494	38,634	1,109	11,145	13,519	37,347	1,549	5,860	6,140	620,750	762,547	115,852	878,399

Notes:

(i) The capital reserve of the Group represents the aggregate of:

(a) the reserve of HK$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and

(b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK$700,000.

(ii) The contributed surplus of the Group represents the net aggregate of:

(a) the credit arising from the reduction of the nominal value of the consolidated shares from HK$1.00 each to HK$0.10 each by cancelling HK$0.90 paid up on each issued share, after a transfer of HK$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK$70,510,000.

(b) the credit arising from cancellation of the share premium account of HK$237,881,000, after a transfer of HK$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK$57,878,000; and

(c) the distribution to shareholders from 2003 to 2010 of HK$114,869,000.

(iii) At 31 December 2013, the property revaluation reserve includes an amount of HK$23,780,000 (2012: HK$23,780,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK$13,567,000 (2012: HK$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**249,977**	122,246
Adjustments for:		
Amortisation of prepaid lease payments	**199**	194
Change in fair value of derivative financial instruments	**(20,257)**	(6,650)
Change in fair value of financial assets at fair value through profit or loss	**(156)**	(9,553)
Depreciation of property, plant and equipment	**16,629**	15,700
Dividend income from equity investments	**(3,000)**	(5,935)
Equity settled share-based payment expenses	**–**	6,504
Finance costs	**20,894**	14,265
Gain on disposal of property, plant and equipment	**(784)**	(2,668)
Impairment loss on available-for-sale investment	**1,172**	14,927
Impairment loss in respect of goodwill	**3,973**	–
Increase in fair value of investment properties	**(15,300)**	(41,000)
Interest income	**(970)**	(1,217)
Loss on disposal of a subsidiary	**–**	1,035
Loss on disposal of available-for-sale investment	**–**	2,588
Reversal of allowance for inventories	**(1,682)**	(6,132)
Allowance of (reversal of allowance of) trade and other receivables	**3,152**	(4,645)
Share of results of associates	**259**	97
Share of results of joint ventures	**(3,812)**	(530)
Operating cash flows before movements in working capital	**250,294**	99,226
Increase in inventories	**(42,382)**	(259,782)
Increase in trade and other receivables	**(130,489)**	(337,729)
Increase in bills receivable	**(17,103)**	(2,297)
Decrease in investments held-for-trading	**23,674**	58,935
(Decrease) increase in bills payable	**(40,328)**	183,480
Increase in derivative financial instruments	**13,809**	5,783
Increase in trade and other payables	**245,770**	65,662
Cash generated from (used in) operations	**303,245**	(186,722)
Hong Kong Profits Tax paid	**(13,390)**	(8,687)
Taiwan Corporate Income Tax paid	**(800)**	(2,197)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**289,055**	(197,606)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000 (Restated)
INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		**(27,047)**	(38,128)
Placement of pledged bank deposits		**(9,192)**	(812)
Deposit paid for acquisition of property, plant and equipment		**(3,998)**	(9,600)
Proceeds from redemption of structured deposits		**6,426**	9,577
Dividend received from equity investments		**3,000**	5,935
Interest received		**970**	1,217
Proceeds on disposal of property, plant and equipment		**894**	3,010
Proceeds on disposal/redemption of available-for-sale investment		**–**	5,212
Disposal of a subsidiary	*33*	**–**	(133)
Payment for acquisition of available-for-sale investments		**–**	(40,306)
NET CASH USED IN INVESTING ACTIVITIES		**(28,947)**	(64,028)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(9,820,955)**	(6,880,220)
Dividends paid		**(49,014)**	(34,078)
Interest paid		**(20,894)**	(14,265)
Dividend paid to non-controlling shareholders		**(10,500)**	(1,500)
Bank borrowings raised		**9,842,404**	6,971,341
Proceeds from exercise of warrants		**5,040**	–
Capital contribution from a non-controlling shareholder		**600**	6,448
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(53,319)**	47,726
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**206,789**	(213,908)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**407,599**	621,422
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**601**	85
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**614,989**	407,599

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6(c) and 15 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 10 *(Continued)*

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10 and concluded that the application had no impact on the consolidation of investees held by the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in Kitronix Limited ("Kitronix") and SPT Technology Limited ("SPT Technology"), which were classified as jointly controlled entities under HKAS 31 and have accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 11 *(Continued)*

The change in accounting of the Group's investments in Kitronix and SPT Technology has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in Kitronix and SPT Technology.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 19, 20 and 40 for details).

Summary of the effect of the above change in accounting policy

The effect of change in accounting policy described above on the results for the year ended 31 December 2012 by line items are as follows:

Impact on profit for the year ended 31 December 2012 of the application of HKFRS 11

	Year ended 31.12.2012 HK$'000
Decrease in revenue	(208,987)
Decrease in cost of sales	196,081
Decrease in other income	(36)
Decrease in other gains and losses	108
Decrease in distribution and selling expenses	1,576
Decrease in administration expenses	9,804
Increase in share of profit of joint ventures	530
Decrease in finance costs	812
Decrease in income tax expense	112
Impact on profit for the year	–

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Summary of the effect of the above change in accounting policy *(Continued)*

The effect of the above change in accounting policy on the financial positions of the Group as at 1 January 2012 and 31 December 2012 is as follows:

Impact on assets and liabilities as at 1 January 2012 and 31 December 2012 of the application of HKFRS 11

	As at 1.1.2012 (previously stated) HK$'000	HKFRS 11 adjustments HK$'000	As at 1.1.2012 (restated) HK$'000	As at 31.12.2012 (previously stated) HK$'000	HKFRS 11 adjustments HK$'000	As at 31.12.2012 (restated) HK$'000
Property, plant and equipment	154,149	(5,385)	148,764	189,662	(5,014)	184,648
Interests in joint ventures	–	13,176	13,176	–	13,820	13,820
Inventories	397,045	(44,785)	352,260	659,446	(42,735)	616,711
Trade and other receivables	479,520	(18,875)	460,645	828,052	(26,907)	801,145
Bank balances and cash	648,860	(27,438)	621,422	433,195	(25,596)	407,599
Trade and other payables	(460,708)	21,940	(438,768)	(522,449)	21,005	(501,444)
Tax liabilities	(5,899)	301	(5,598)	(7,077)	411	(6,666)
Bank borrowings – due within one year	(836,595)	61,066	(775,529)	(942,916)	65,016	(877,900)
Total effect on net assets	376,372	–	376,372	637,913	–	637,913

Impact on cash flows for the year ended 31 December 2012 of the application of HKFRS 11

	Year ended 31.12.2012 HK$'000
Net cash outflow from operating activities	(4,960)
Net cash outflow from investing activities	(20)
Net cash inflow from financing activities	3,138
Net cash outflow	(1,842)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The principal accounting policies are set out below.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

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

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

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

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presently separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business or an associate is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, deemed cost or valuation less subsequent accumulated depreciation and accumulated impairment losses, if any.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets other than club memberships (see the accounting policy in respect of club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or losses, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither likely to occur (therefore forming part of the initially net investment in a foreign operation) which are recognised in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club memberships is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on derecognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period (ranging from 30 days to 120 days), or observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bills payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting condition, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Warrants granted to directors

For grants of warrants that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of warrants granted at the date of grant is recognised as an expense in full at the grant date when the warrants granted vest immediately, with a corresponding increase in equity (warrant reserve).

When warrants are exercised, the amount previously recognised in warrant reserve will be transferred to share premium. When the warrants are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying value of trade receivables is HK$873,528,000 (2012: HK$742,815,000, as restated) (net of allowance of HK$6,268,000 (2012: HK$3,723,000, as restated)).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of inventories

The management reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2013, the carrying value of inventories is HK$660,775,000 (2012: HK$616,711,000, as restated) (net of allowance for inventories of HK$34,189,000 (2012: HK$35,871,000, as restated)).

Income tax

As at 31 December 2013, unused tax losses of the Group amounted to HK$97,303,000 (2012: HK$92,802,000, as restated), of which HK$24,334,000 (2012: HK$24,334,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining HK$72,969,000 (2012: HK$68,468,000, as restated) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts and inventories of the Group which amounted to HK$10,150,000 (2012: HK$7,884,000), a deferred tax asset has been recognised in respect of HK$5,888,000 (2012: HK$2,490,000). No deferred tax asset has been recognised in respect of the remaining HK$4,262,000 (2012: HK$5,394,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Financial assets		
Fair value through profit or loss		
Held-for-trading	24,841	48,359
Designated at FVTPL	–	6,426
Loans and receivables (including cash and cash equivalents)	1,570,796	1,203,272
Available-for-sale investments	33,542	34,414
Derivative financial instruments	465	–
Financial liabilities		
Amortised cost	1,802,670	1,585,608
Derivative financial instruments	1,926	7,909

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, bills receivable, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		Assets	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
United States dollars ("USD")	**463,336**	497,637	**509,996**	376,018
Renminbi ("RMB")	**–**	–	**26,726**	19,978
Hong Kong dollars ("HKD")	**57,778**	59,193	**–**	–

Includes in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
USD	**8,183**	6,426
RMB	**–**	12,077

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

The carrying amount of foreign exchange forward contract as at year end amounted to HK$465,000 (2012: HK$3,397,000) classified as current assets/current liabilities, in which the Group was in the position of buying USD with notional amount of USD25,510,000 (2012: USD20,450,000).

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD, management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HKD against RMB.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2012: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances. 5% (2012: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2012: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
		(Restated)
Increase in profit	**3,528**	2,801

No sensitivity analysis was prepared in relation to the currency risk of financial assets at fair value through profit or loss as the directors consider the exposure is limited.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 26 and 29 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2012: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2012: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2012: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease by approximately HK$896,000 if interest rate is higher/increase by approximately HK$1,489,000 if interest rate is lower (2012: decrease by approximately HK$1,129,000/increase by approximately HK$1,599,000, as restated). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

For interest rate swap, 20 basis points (2012: 20 basis points) increase or decrease is used. If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by approximately HK$200,000 (2012: increase/decrease by HK$200,000).

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to other price risk through its investments in structured deposits classified as financial assets designated at fair value through profit or loss, listed equity securities and unlisted equity funds and securities classified as available-for-sale investments and FVTPL. For the available-for-sale investments stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments, the quoted price of the equity funds, and the mark to market valuation amount of the structured deposits provided by financial institutions (which are the counterparties of the structured deposits) had been 5% (2012: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK$1,037,000 (2012: HK$2,287,000) as a result of the changes in fair value of financial assets through profit or loss; and
- the investment revaluation reserve would increase/decrease by approximately HK$1,377,000 (2012: HK$1,414,000) stated at fair value as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 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 arises 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 delegated a team responsible for determination of 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 the 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.

The credit risk on structured deposits classified as financial assets at fair value through profit or loss, bank balances and bank deposits and bills receivable is limited because the counterparties are banks with good reputation.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Other than concentration of credit risk on bank balances and structured deposits classified as financial assets at fair value through profit or loss, which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on other financial assets and trade receivables, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2013, the Group has available unutilised overdraft and bank loan facilities of HK$24,000,000 (2012: HK$29,000,000) and HK$2,913,976,000 (2012: HK$1,781,774,000), respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
31.12.2013							
Non-derivative financial liabilities							
Trade and other payables	–	658,518	31,532	10,944	50	701,044	701,044
Bills payable	–	196,039	6,238	–	–	202,277	202,277
Bank borrowings – variable rate	*1.57	899,349	–	–	–	899,349	899,349
		1,753,906	37,770	10,944	50	1,802,670	1,802,670
Derivatives – net settlement							
Interest rate swap	–	–	–	1,926	–	1,926	1,926

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
31.12.2012 (Restated)							
Non-derivative financial liabilities							
Trade and other payables	–	443,009	16,914	5,180	–	465,103	465,103
Bills payable	–	224,728	17,877	–	–	242,605	242,605
Bank borrowings – variable rate	*1.65	877,900	–	–	–	877,900	877,900
		1,545,637	34,791	5,180	–	1,585,608	1,585,608
Derivatives – net settlement							
Foreign exchange forward contracts	–	–	–	–	3,397	3,397	3,397
Interest rate swap	–	644	–	1,934	1,934	4,512	4,512
		644	–	1,934	5,331	7,909	7,909

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$899,349,000 (2012: HK$877,900,000, as restated). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2013							
Bank borrowings – variable rate	**1.57**	**759,252**	**88,540**	**40,311**	**27,973**	**916,076**	**899,349**
As at 31 December 2012 (restated)							
Bank borrowings – variable rate	1.65	690,824	146,755	16,190	27,973	881,742	877,900

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets designated at fair value through profit or loss				
Listed equity securities	HK$16,658,000	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity funds	HK$8,183,000	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments				
Club debenture	HK$2,997,000	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Listed equity securities	HK$24,545,000	Level 1	Quoted bid price in an active market	N/A
Derivative financial instruments				
Foreign currency forward contracts	Assets HK$465,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Interest rate swap	Liabilities HK$1,926,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

There were no transfers between Levels 1 and 2 in the current year.

The directors consider that the carrying amounts of other financial assets and financial liabilities that are recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in consumer electronic products, mobile phone products, computer products, telecommunication products and lighting products, properties investments and distribution of sport products.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue from major business products and services

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

	2013 **HK$'000**	2012 HK$'000 (Restated)
Distribution of electronic components and semiconductor products	**10,762,288**	6,284,045
Distribution of sport products	**29,564**	30,410
Office building rental	**5,755**	4,592
	10,797,607	6,319,047

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in different places of domicile, including the People's Republic of China (the "PRC"), Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by Geographical market	
	2013	2012
	HK$'000	HK$'000 (Restated)
The PRC	**7,213,910**	3,386,486
Hong Kong	**3,028,080**	2,495,305
Taiwan	**413,611**	252,832
Mexico	**34,875**	54,561
India	**26,944**	25,479
Macao Special Administrative Regions of The PRC	**23,381**	–
Japan	**21,340**	12,468
Singapore	**13,854**	53,566
Republic of Korea	**1,004**	4,672
Others	**20,608**	33,678
	10,797,607	6,319,047

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2013	2012
	HK$'000	HK$'000 (Restated)
Hong Kong	**315,411**	304,729
The PRC	**121,233**	97,849
Taiwan	**11,115**	15,059
Others	**930**	930
	448,689	418,567

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 HK$'000	2012 HK$'000
Customer A (note)	**1,644,593**	N/A

Note: The corresponding revenue did not contribute over 10% of the total sales of the Group for the year ended 31 December 2012.

During the year ended 31 December 2012, no single customer contributed over 10% of the total sales of the Group.

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000 (Restated)
Interest on bank borrowings		
– wholly repayable within five years	**20,752**	14,134
– not wholly repayable within five years	**142**	131
	20,894	14,265

9. TAXATION

	2013 HK$'000	2012 HK$'000 (Restated)
The charge comprises:		
Hong Kong Profits Tax		
– current year	**33,086**	12,241
– underprovision in prior years	**138**	362
PRC Enterprise Income Tax		
– current year	**1,987**	–
Taiwan Corporate Income Tax		
– current year	**1,835**	1,337
	37,046	13,940
Deferred tax (note 32)		
– current year	**(1,094)**	(453)
	35,952	13,487

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of The People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No PRC income tax was payable by the Group since the Mainland PRC subsidiaries incurred tax losses for the year ended 31 December 2012.

Corporate Income Tax in Taiwan is charged at 17%.

9. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Profit before tax	**249,977**	122,246
Tax at Hong Kong Profits Tax rate of 16.5%	**41,246**	20,171
Tax effect of expenses not deductible for tax purpose	**1,899**	4,628
Tax effect of income not taxable for tax purpose	**(6,196)**	(10,119)
Tax effect of share of profit of joint ventures	**(629)**	(87)
Underprovision in prior years	**138**	362
Tax effect of share of loss of associates	**43**	16
Tax effect of tax losses/deductible temporary differences not recognised	**159**	297
Utilisation of tax losses/deductible temporary differences previously not recognised	**(755)**	(1,812)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**47**	31
Tax charge for the year	**35,952**	13,487

10. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	**72,009**	64,308
– performance related incentive payments	**15,798**	9,812
– retirement benefits scheme contributions	**7,780**	5,960
– share-based payment expenses	**–**	6,504
	95,587	86,584
Auditor's remuneration	**1,383**	1,330
Depreciation of property, plant and equipment	**16,629**	15,700
Amortisation of prepaid lease payments	**199**	194
Allowance of (reversal of allowance of) trade and other receivables	**3,152**	(4,645)
Cost of inventories recognised as an expense (including reversal of allowance of inventories of HK$1,682,000 (2012: reversal of allowance of inventories of HK$6,132,000, as restated)) (note)	**10,354,629**	6,048,288
Interest income	**(970)**	(1,217)
Dividend income from equity investments	**(3,000)**	(5,935)
Rental income from investment properties, net of outgoings of HK$24,000 (2012: HK$35,000)	**(5,731)**	(4,557)
The following items are included in other gains and losses:		
Change in fair value of derivative financial instruments	**(20,257)**	(6,650)
Change in fair value of financial assets at fair value through profit or loss	**(156)**	(9,553)
Gain on disposal of property, plant and equipment	**(784)**	(2,668)
Impairment loss on available-for-sale investment	**1,172**	14,927
Impairment loss recognised in respect of goodwill	**3,973**	–
Loss on disposal of a subsidiary	**–**	1,035
Net foreign exchange (gain) loss	**(5,299)**	1,098
Loss on disposal of available-for-sale investment	**–**	2,588

Note: The reversal of allowance for inventories arose because the subsequent sale prices for the relevant inventories were higher than the carrying amount of such inventories which were written down in prior years.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the directors of the Company were as follows:

2013

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lock Shui Cheung HK$'000	Lau Ping Cheung HK$'000	Dr. Chang Chu Cheng (retired on 14 May 2013) HK$'000	Yim Tsz Kit, Jacky (appointed on 16 May 2013) HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	100	–	50	50	200
Other emoluments											
Salaries and other benefits	4,320	762	690	960	–	400	–	–	–	–	7,132
Retirement benefits scheme contributions	216	15	26	15	–	10	–	–	–	–	282
Performance related incentive payments (note)	8,000	259	680	500	–	75	–	–	–	–	9,514
Total emoluments	12,536	1,036	1,396	1,475	–	485	100	–	50	50	17,128

2012

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lock Shui Cheung HK$'000	Lau Ping Cheung HK$'000	Dr. Chang Chu Cheng HK$'000	Yim Tsz Kit, Jacky HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	–	–	–	–	–	N/A	100	–	50	50	200
Other emoluments											
Salaries and other benefits	4,320	750	690	965	–	N/A	–	–	–	–	6,725
Equity-settled share based payment expenses	6,504	–	–	–	–	N/A	–	–	–	–	6,504
Retirement benefits scheme contributions	216	14	26	14	–	N/A	–	–	–	–	270
Performance related incentive payments (note)	5,000	110	650	100	–	N/A	–	–	–	–	5,860
Total emoluments	16,040	874	1,366	1,079	–	N/A	100	–	50	50	19,559

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Mr. Yim Yuk Lun, Stanley *JP* is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive.

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2013 and 2012, no directors waived any emoluments.

12. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2012: three) were directors of the Company whose remunerations are set out in note 11 above. The remuneration of the remaining two (2012: two) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**1,893**	1,718
Performance related incentive payments	**430**	203
Retirement benefits scheme contributions	**30**	27
	2,353	1,948

Their remunerations were within the following bands:

	2013 No. of employees	2012 No. of employees
Not exceeding HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	–

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2013 Interim dividend of HK6.5 cents (2012: 2012 interim dividend of HK3.0 cents) per share	**17,221**	7,864
2012 Final dividend of HK12.0 cents (2012: 2011 final dividend of HK10.0 cents) per share	**31,793**	26,214
	49,014	34,078

Subsequent to the end of the reporting period, a final dividend of HK20.0 cents per share in respect of the year ended 31 December 2013 (2012: final dividend of HK12.0 cents per share in respect of the year ended 31 December 2012) and a special dividend of HK3.5 cents per share in respect of the year ended 31 December 2013 (2012: Nil) have been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	**172,134**	90,852
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**264,680**	262,141
Effect of dilutive potential ordinary shares in respect of warrants	**15,519**	–
Weighted average number of ordinary shares for diluted earnings per share	**280,199**	262,141

For the year ended 31 December 2012, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding warrants because the exercise price of those warrants was higher than the average market price for shares for the year.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2012	136,300
Net increase in fair value recognised in profit or loss	41,000
At 31 December 2012	177,300
Net increase in fair value recognised in profit or loss	15,300
At 31 December 2013	192,600

The investment properties are held under medium-term leases in Hong Kong and held for rental income under operating leases.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by B.I. Appraisals Limited ("B.I."), independent qualified professional valuers not connected to the Group. B.I. are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

Category	Fair value hierarchy	Fair value 31.12.2013 HK$'000	Unrealised gain on property revaluation included in profit or loss in 2013 HK$'000	Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
Commercial properties	Level 3	192,600	15,300	Market comparable approach	Reversionary rate	1.7% to 3.8%	The higher the reversionary yield, the lower the fair value
					Market rent	HK$15 – HK$29 per square feet per month	The higher the market rent, the higher the fair value

There were no transfers into or out of Level 3 during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2012 (previously stated)	162,418	16,185	1,920	30,731	30,693	20,830	–	262,777
Effect of change in accounting policy (note 2)	(3,254)	(1,869)	(93)	(243)	(1,737)	(219)	–	(7,415)
At 1 January 2012 (restated)	159,164	14,316	1,827	30,488	28,956	20,611	–	255,362
Exchange realignment (restated)	656	156	46	23	23	24	–	928
Additions (restated)	13,720	498	–	3,913	1,401	25,934	7,170	52,636
Disposal of a subsidiary	–	–	(1,730)	–	–	–	–	(1,730)
Disposals	–	–	(138)	–	(270)	(7,534)	–	(7,942)
At 31 December 2012 (restated)	173,540	14,970	5	34,424	30,110	39,035	7,170	299,254
Exchange realignment	656	161	–	24	19	37	138	1,035
Additions	–	1,850	–	2,404	1,022	6,307	15,464	27,047
Disposals	–	(94)	–	(2)	(134)	(3,194)	–	(3,424)
At 31 December 2013	174,196	16,887	5	36,850	31,017	42,185	22,772	323,912
Comprising:								
At cost	128,846	16,887	5	36,850	31,017	42,185	22,772	278,562
At valuation – 1994	45,350	–	–	–	–	–	–	45,350
	174,196	16,887	5	36,850	31,017	42,185	22,772	323,912
DEPRECIATION								
At 1 January 2012 (previously stated)	41,814	12,327	302	20,082	20,924	13,179	–	108,628
Effect of change in accounting policy (note 2)	(830)	(423)	(3)	(95)	(642)	(37)	–	(2,030)
At 1 January 2012 (restated)	40,984	11,904	299	19,987	20,282	13,142	–	106,598
Exchange realignment	39	116	8	19	11	14	–	207
Provided for the year	3,991	1,531	–	3,583	2,826	3,769	–	15,700
Eliminated on disposal of a subsidiary	–	–	(299)	–	–	–	–	(299)
Eliminated on disposals	–	–	(7)	–	(103)	(7,490)	–	(7,600)
At 31 December 2012 (restated)	45,014	13,551	1	23,589	23,016	9,435	–	114,606
Exchange realignment	59	161	–	24	10	16	–	270
Provided for the year	4,041	1,244	1	3,775	2,511	5,057	–	16,629
Eliminated on disposals	–	(92)	–	(2)	(119)	(3,101)	–	(3,314)
At 31 December 2013	49,114	14,864	2	27,386	25,418	11,407	–	128,191
CARRYING VALUES								
At 31 December 2013	125,082	2,023	3	9,464	5,599	30,778	22,772	195,721
At 31 December 2012 (restated)	128,526	1,419	4	10,835	7,094	29,600	7,170	184,648

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

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	4% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	10% to 20%
Others	20%

The carrying values of leasehold land and buildings held by the Group at the end of the reporting period comprises:

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Land and buildings in Hong Kong:		
Medium-term lease	**59,393**	62,129
Land and buildings outside Hong Kong:		
Long lease	**65,689**	66,397
	125,082	128,526

Owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land located in the PRC held under medium-term lease.

	31.12.2013 HK$'000	31.12.2012 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**9,136**	9,112
Current asset	**199**	194
	9,335	9,306

18. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2012 and 31 December 2012	20,392
Impairment loss recognised during the year	(3,973)
At 31 December 2013	16,419

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2013 HK$'000	31.12.2012 HK$'000
Distribution of sport products	**1,369**	1,369
Distribution of electronic components and semiconductor products	**15,050**	19,023
	16,419	20,392

The basis of the recoverable amounts of the CGUs and their major underlying assumptions are summarised below:

Distribution of sport products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero (2012: zero) growth rate, and discount rate of 8% (2012: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Distribution of electronic components and semiconductor products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with 7.5% (2012: 7.5%) growth rate, and discount rate of 8% (2012: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

18. GOODWILL *(Continued)*

Distribution of electronic components and semiconductor products *(Continued)*

During the year ended 31 December 2013, the Group recognised an impairment loss of HK$3,973,000 (2012: Nil) in relation to goodwill to one of the CGUs in the distribution of electronic components and semiconductor products because the directors of the Company are of the opinion that one of the subsidiaries related to that CGU incurred operating loss for the year.

19. INTERESTS IN ASSOCIATES

	31.12.2013 HK$'000	31.12.2012 HK$'000
Cost of unlisted investments in associates	514	514
Share of post-acquisition losses and other comprehensive expense	(348)	(97)
	166	417

As at 31 December 2013 and 2012, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/ registered capital held by the Group 31.12.2013 %	31.12.2012 %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	30	Trading of electronic products
成都淩點科技有限公司	Established	The PRC	Registered capital	30	30	Provision of research and development services

Included in cost of investments in associates is goodwill of HK$117,000 (2012: HK$117,000) arising on acquisition of an associate.

As at 31 December 2013 and 2012, in the opinion of the directors, no individual associate is considered as material to the Group.

19. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of loss	**(259)**	(97)
The Group's share of other comprehensive income	**8**	8
The Group's share of total comprehensive expenses	**(251)**	(89)

The Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of the associate, both for the year and cumulatively, are as follows:

	2013 HK$'000	2012 HK$'000
Unrecognised share of loss of the associate for the year	**2**	3

	31.12.2013 HK$'000	31.12.2012 HK$'000
Accumulated unrecognised share of loss of the associate	**388**	386

20. INTERESTS IN JOINT VENTURES

	31.12.2013 HK$'000	31.12.2012 HK$'000
Cost of unlisted investments in joint ventures	**48,000**	48,000
Share of post-acquisition losses and other comprehensive expenses	**(30,229)**	(34,180)
	17,771	13,820

20. INTERESTS IN JOINT VENTURES *(Continued)*

As at 31 December 2013 and 2012, the Group had interests in the following joint ventures:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group 31.12.2013 %	31.12.2012 %	Proportion of voting rights held by the Group 31.12.2013 %	31.12.2012 %	Principal activity
Kitronix	Incorporated	Hong Kong	Ordinary	**35**	35	**40**	40	Manufacturing of liquid crystal display modules
SPT Technology	Incorporated	Hong Kong	Ordinary	**55**	55	**50**	50	Distribution of electronic products

The summarised financial information in respect of each of the Group's material joint ventures is set out below:

Kitronix

	31.12.2013 HK$'000	31.12.2012 HK$'000
Current assets	**8,162**	7,050
Non-current assets	**10,999**	11,092
Current liabilities	**2,359**	2,271
Revenue	**1,364**	1,170
Profit (loss) for the year	**560**	(1,519)
Total comprehensive income (expense) for the year	**931**	(1,211)

20. INTERESTS IN JOINT VENTURES *(Continued)*

Kitronix *(Continued)*

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

	31.12.2013 HK$'000	31.12.2012 HK$'000
Net assets of Kitronix	**16,802**	15,871
Proportion of the Group's ownership in Kitronix	**35%**	35%
Carrying amount of the Group's interest in Kitronix	**5,881**	5,555

SPT Technology

	31.12.2013 HK$'000	31.12.2012 HK$'000
Current assets	**201,518**	178,985
Non-current assets	**1,589**	2,059
Current liabilities	**181,489**	166,017
Revenue	**560,471**	507,606
Profit for the year	**6,574**	1,931
Total comprehensive income for the year	**6,591**	1,942

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

	31.12.2013 HK$'000	31.12.2012 HK$'000
Net assets of SPT Technology	**21,618**	15,027
Proportion of the Group's ownership in SPT Technology	**55%**	55%
	11,890	8,265

21. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2013 HK$'000	31.12.2012 HK$'000
Available-for-sale investments comprise:		
At fair value		
Investments in club debenture	2,997	2,697
Investments in listed equity securities in Hong Kong (note i)	24,545	25,587
At cost		
Investments in unlisted equity securities in Hong Kong	6,000	6,000
Investments in unlisted equity securities elsewhere (note ii)	–	130
Total	33,542	34,414
Analysed for reporting purposes as:		
Non-current assets	33,542	34,414

Note:

(i) Listed securities are stated at fair value which is determined based on the quoted market bid price available on the Stock Exchange. The Group identified an impairment loss of HK$1,042,000 (2012: HK$14,927,000) related to these listed securities whose share price were significantly declined below the cost.

(ii) The unlisted equity securities investments represent investments in equity securities issued by a private entity. The directors of the Company are of the opinion that the recoverable amount is less than the carrying amount as the private entity incurred operating losses throughout the years. Therefore, a full impairment of HK$130,000 was charged to the profit or loss.

The above unlisted equity securities investments represent investments in equity securities issued by a private entity which is engaging in manufacturing of paper products and measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. CLUB MEMBERSHIPS

	31.12.2013 & 31.12.2012 HK$'000
Club memberships outside Hong Kong, at cost	3,278

As at 31 December 2013 and 2012, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and are of the opinion that the club memberships are worth at least their carrying amounts.

23. INVENTORIES

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Finished goods	**660,775**	616,711

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Trade receivables	**879,796**	746,538
Less: allowance for doubtful debts	**(6,268)**	(3,723)
	873,528	742,815
Other receivables	**42,278**	39,152
Prepayment and deposits paid	**12,809**	19,178
Total trade and other receivables	**928,615**	801,145
Bills receivable	**26,848**	9,745

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Current	**711,853**	541,786
Within 30 days	**155,355**	174,907
More than 30 days and within 60 days	**25,188**	19,113
More than 60 days and within 90 days	**3,960**	2,790
More than 90 days	**4,020**	13,964
	900,376	752,560

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$188,523,000 (2012: HK$210,774,000, as restated) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 55 days (2012: 58 days, as restated).

Ageing of trade receivables which are past due but not impaired

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Within 30 days	**155,355**	174,907
More than 30 days and within 60 days	**25,188**	19,113
More than 60 days and within 90 days	**3,960**	2,790
More than 90 days	**4,020**	13,964
Total	**188,523**	210,774

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
1 January	**3,723**	8,368
Impairment losses recognised on receivables	**3,152**	619
Amounts recovered during the year	**–**	(5,264)
Amount written off as uncollectible	**(607)**	–
31 December	**6,268**	3,723

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$6,268,000 (2012: HK$3,723,000, as restated) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

The Group's trade and other receivables and bills receivable that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
USD	**374,634**	296,703
RMB	**2,693**	49
	377,327	296,752

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2013 HK$'000	31.12.2012 HK$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	**16,658**	27,631
Unlisted equity funds (note)	**8,183**	20,728
	24,841	48,359
Financial assets designated at fair value through profit or loss:		
Structured deposits	**–**	6,426
	24,841	54,785

Note: The amount represented unlisted equity funds which are quoted in an active market. The fair value of the investments is determined by reference to the quoted prices as at 31 December 2013 and 2012.

As at 31 December, 2012, the financial assets designated at fair value through profit or loss were principal protected structured deposits of HK$6,426,000 placed with a bank. Under the relevant agreements, such structured deposits contained an embedded derivative in which its return was determined by reference to the changes in exchange rate of foreign currencies including Australian Dollar, Canadian Dollar, Swiss France, Euro, British Pound, Japanese Yen, New Zealand Dollar, Norwegian Krone, Swedish Krona and USD. The fair value was based on the mark to market valuation amount provided by the counterparty financial institution, which was based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details). During the year ended 31 December 2013, the structured deposits were matured.

At 31 December 2012, included in the Group's financial assets at fair value through profit or loss, balances with aggregate amount of HK$6,426,000 denominated in USD, and HK$12,077,000 denominated in RMB, which were other than the functional currency of the relevant group entities.

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2013 and 2012, the pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.02% to 0.1% (2012: from 0.12% to 3%) per annum and variable interest at rates which range from 0.01% to 0.39% (2012: from 0.01% to 3%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
USD	**127,179**	72,889
RMB	**24,033**	7,852
	151,212	80,741

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Trade payables	**673,471**	448,063
Other payables	**27,573**	17,040
Accruals and deposits received	**46,824**	36,341
Total trade and other payables	**747,868**	501,444
Bills payable	**202,277**	242,605

The average credit period on purchase of goods ranged from 30 days to 120 days.

Other payables are unsecured, interest-free and repayable on demand.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK$328,883,000 (2012: HK$211,793,000) denominated in USD which is other than the functional currency of the relevant group entities.

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(Continued)*

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Current	**778,799**	645,502
Within 30 days	**43,986**	35,558
More than 30 days and within 60 days	**21,119**	6,490
More than 60 days and within 90 days	**16,029**	24
More than 90 days	**15,815**	3,094
	875,748	690,668

28. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS		LIABILITIES	
	31.12.2013 HK$'000	31.12.2012 HK$'000	**31.12.2013 HK$'000**	31.12.2012 HK$'000
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts – net settled	**465**	–	**–**	3,397
Interest rate swap	**–**	–	**1,926**	4,512
	465	–	**1,926**	7,909

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As 31 December 2013

Notional amount	Maturity	Forward exchange rates
Thirty-five contracts to buy USD in total notional amount of USD25,510,000	Ranging from 2 January 2014 to 11 November 2015	HK$/USD ranging from 7.7045 to 7.749

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As 31 December 2012

Notional amount	Maturity	Forward exchange rates
Thirty-one contracts to buy USD in total notional amount of USD20,450,000	Ranging from 3 January 2013 to 11 November 2014	HK$/USD ranging from 7.7045 to 7.749

The Group uses interest rate swap to swap a portion of the floating rate borrowings from floating rates to fixed rates of which hedge accounting is not applied. The interest rate swap is net-settled in each quarter. Major terms of the interest rate swap are set out below:

At 31 December 2013 and 2012

Notional amount	Maturity	Swap
HK$100,000,000	24 July 2014	HIBOR to 2.98%

29. BANK BORROWINGS

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Bank borrowings comprise:		
Bank import loans	**733,609**	607,518
Other bank loans	**165,740**	270,382
	899,349	877,900
Analysed as:		
Secured	**705,879**	703,505
Unsecured	**193,470**	174,395
	899,349	877,900

29. BANK BORROWINGS *(Continued)*

	31.12.2013 HK$'000	31.12.2012 HK$'000 (Restated)
Carrying amount of bank loans contain a repayment on demand clause are repayables as follows:		
– within one year	**886,112**	851,218
– more than one year, but not exceeding two years	**7,475**	11,981
– more than two years, but not exceeding five years	**3,093**	9,288
– over five years	**2,669**	5,413
	899,349	877,900
Less: Amounts due within one year under current liabilities	**(899,349)**	(877,900)
Amounts shown under non-current liabilities	**–**	–

At 31 December 2013, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.57% (2012: 1.65%).

Included in the Group's borrowings with aggregate amount of HK$134,453,000 (2012: HK$285,844,000) denominated in USD which is other than the functional currency of the relevant group entities.

30. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2012 and 31 December 2012	262,140,720	26,214
Exercise of warrants	2,800,000	280
At 31 December 2013	264,940,720	26,494

30. SHARE CAPITAL OF THE COMPANY *(Continued)*

	Number of non-redeemable convertible preference shares	Amount HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	46,000,000	4,600
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	–	–

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Old Share Option Scheme

Pursuant to a resolution passed on 28 June 2002, the Company adopted a share option scheme (the "Old Scheme") for recognition of past services contributed by, and giving incentives to the eligible directors and employees.

According to the Old Scheme, the board of directors (the "Board") of the Company may at their discretion grant options to any director, executive and employee of each member of the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 28 days from the date of grant. The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. There is no minimum period that a grantee must hold an option before it can be exercised. The Board may also provide restrictions on the exercise of a share option during the period a share option may be exercised. The exercise price is determined by the Board of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares in respect of which options may be granted under the Old Scheme and any other share option schemes of the Company shall not exceed 10% (or such higher percentage as may be allowed under the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the total number of shares in issue as at the date of adoption of the Old Scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to each individual under the Old Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

The Old Scheme had a term of ten years and expired on 27 June 2012. There were no share options granted under the Old Scheme during year ended 31 December 2012. No share options granted under the Old Scheme were outstanding and exercisable as at the expiry date of the Old Scheme.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) New Share Option Scheme

Pursuant to a resolution passed on 27 July 2012, the Company adopted a new share option scheme (the "New Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants. All directors, non-executive directors, employees, shareholders, suppliers, customers of each member of the Group, any other person or entity that provides research, development or other technological support to any member of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group are eligible to participate in the New Scheme.

Shares which may be issued upon exercise of all options to be granted under the New Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the New Scheme.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the New Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of the grant is HK$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The subscription price will be established by the board of directors of the Company at the time the option is offered to the participants.

No share options have been granted under the New Scheme since the adoption of the New Scheme or outstanding at 31 December 2012 and 2013.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Warrants granted to a director

On 23 May 2012, the Company entered into a warrant subscription agreement with Unimicro Limited ("Unimicro", a substantial shareholder of, and which has significant influence over the Company and beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*, the Chairman, Managing Director and Executive Director of the Company) pursuant to which the Company has agreed to issue 50,000,000 warrants to Unimicro, at consideration of HK$500,000, to subscribe for up to 50,000,000 shares at the exercise price HK$1.80 per warrant share, which also represented a gratuity for Mr. Yim's long term services to the Group in the past. Under the warrant subscription agreement, Unimicro was required to exercise at least 2,777,778 warrants within 6 months from the completion of it. The warrant subscription agreement was approved by the independent shareholders in the special general meeting held on 27 July 2012. The warrants were granted on 7 August 2012 and are exercisable at any time on or before 6 August 2014. Unimicro is not allowed to sell or transfer interests in the warrant shares within 3 years from the date on which the warrant shares are issued. All the proceeds were used to provide additional working capital for the Company. During the year ended 31 December 2013, 2,800,000 (2012: Nil) warrants were exercised by Unimicro. As at 31 December 2013, 47,200,000 warrants remained outstanding and will expire on 6 August 2014.

As at grant date, the fair value of the warrants was HK$6,504,000 and was recognised as equity-settled share based payment expense in profit or loss during the year ended 31 December 2012.

The fair value of warrant at the date of grant was calculated using the Binomial Option Pricing model.

The inputs into the model were as follows:

Spot market price	HK$1.90
Exercise price	HK$1.80
Expected volatility	35.44%
Expected life	3 years
Risk-free rate	0.185%
Dividend yield	6.84%
Lock-up period	3 years

Expected volatility was determined by using the weekly historical volatility of the Company's share price over the previous 520 days.

32. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	(Decelerated) accelerated tax depreciation HK$'000	Tax losses HK$'000	Other deductible temporary differences HK$'000	Total HK$'000
At 1 January 2012 (restated)	(680)	(2,098)	(140)	(2,918)
Exchange realignment	–	–	(28)	(28)
Charge (credit) to profit or loss	1,704	(1,917)	(240)	(453)
At 31 December 2012 (restated)	1,024	(4,015)	(408)	(3,399)
Credit to profit or loss	(531)	–	(563)	(1,094)
At 31 December 2013	493	(4,015)	(971)	(4,493)

At 31 December 2013, the Group had unused tax losses of HK$97,303,000 (2012: HK$92,802,000, as restated) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$24,334,000 (2012: HK$24,334,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$72,969,000 (2012: HK$68,468,000, as restated) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2013, the Group had deductible temporary differences in relation to allowance for doubtful debts and inventories of HK$10,150,000 (2012: HK$7,884,000). A deferred tax asset has been recognised in respect of HK$5,888,000 (2012: HK$2,490,000) for such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$4,262,000 (2012: HK$5,394,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2012, the Group disposed of 51% equity interest of LongFang Fordwin Optical & Electric Co. Ltd. ("Fordwin"), a company engaged in the development and production of LED optoelectronics products, to an independent third party for a cash consideration of RMB1. The net assets of Fordwin at the date of disposal were as follows:

Analysis of assets and liabilities disposed at the date of disposal:

	HK$'000
Property, plant and equipment	1,431
Inventories	1,462
Trade and other receivables	2,103
Bank balances and cash	133
Trade and other payables	(3,099)
	2,030
Non-controlling interest	(995)
Net assets disposed	1,035

	HK$'000
Loss on disposal of a subsidiary:	
Consideration received (RMB1)	–
Net assets disposed of	(1,035)
Loss on disposal	(1,035)

	HK$'000
Net cash outflow on disposal of Fordwin:	
Cash consideration received (RMB 1)	–
Bank balances and cash disposed of	(133)
	(133)

The subsidiary disposed of during the year ended 31 December 2012 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

34. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK$7,780,000 (2012: HK$5,960,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

35. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2013 **HK$'000**	31.12.2012 HK$'000
Investment properties	**136,600**	171,320
Leasehold land and building	**6,381**	43,157
Bank deposits	**13,153**	3,961
Trade receivables	**269,494**	237,119
Structured deposits	**–**	6,426
Investments held-for-trading	**8,183**	20,728
	433,811	482,711

36. OPERATING LEASES

The Group as lessee

	2013 HK$'000	2012 HK$'000 (Restated)
Minimum lease payments paid under operating leases in respect of rented premises	**2,680**	1,593

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2013 HK$'000	31.12.2012 HK$'000
Within one year	**2,246**	1,129
In the second to fifth year inclusive	**686**	475
	2,932	1,604

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rentals.

The Group as lessor

Property rental income earned during the year was HK$5,755,000 (2012: HK$4,592,000 as restated). The properties held have committed tenants for the next two (2012: two) years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2013 HK$'000	31.12.2012 HK$'000
Within one year	**3,531**	3,641
In the second to fifth year inclusive	**664**	1,900
	4,195	5,541

37. CAPITAL COMMITMENTS

	31.12.2013 HK$'000	31.12.2012 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**4,709**	15,677

38. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

During the year, the Group had significant transactions and balances with deemed connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) *Transactions*

Name of party	Nature of transactions	2013 HK$'000	2012 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") and its subsidiaries (note)	Purchases of electronic products by the Group	**714,146**	577,095
	Sales of electronic products by the Group	**246,878**	227,929

(b) *Balances*

Name of party	Nature of balances	31.12.2013 HK$'000	31.12.2012 HK$'000
Hon Hai and its subsidiaries	Trade payables	**242,276**	183,517
	Trade receivables	**53,883**	72,575

Note: Hon Hai is a substantial shareholder of the Company, who held 23.4% (2012: 17.55%) of the issued share capital of the Company as at 31 December 2013.

38. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) *Transactions*

Name of party	Nature of transactions	2013 HK$'000	2012 HK$'000
Joint venture:			
SPT Technology	Purchases of electronic products	53,390	57,463
	Sales of electronic products	931	277

(b) *Balances*

Name of party	Nature of balances	31.12.2013 HK$'000	31.12.2012 HK$'000
Joint venture:			
SPT Technology	Trade payables	6,277	4,502
	Trade receivables	90	–

(c) *Compensation of key management personnel*

The directors are the key management personnel of the Company and their compensation for both years is set out in note 11.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013 HK$'000	31.12.2012 HK$'000
Assets		
Investment cost and amounts due from subsidiaries	**391,948**	397,285
Other assets	**1,079**	922
	393,027	398,207
Liabilities		
Amounts due to subsidiaries	**193,198**	159,128
Tax payable	**380**	–
Other payables	**1,290**	698
	194,868	159,826
Net assets	**198,159**	238,381
Capital and reserves		
Share capital	**26,494**	26,214
Share premium and reserves (note)	**171,665**	212,167
Total equity	**198,159**	238,381

Note:

	Share premium HK$'000	**Capital redemption reserve** HK$'000	**Contri– buted surplus** HK$'000	**Warrant reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2012	33,510	1,109	105,796	–	46,910	187,325
Profit and total comprehensive income for the year	–	–	–	–	52,416	52,416
Dividends recognised as distribution	–	–	–	–	(34,078)	(34,078)
Equity settled share-based payments	–	–	–	6,504	–	6,504
At 31 December 2012	33,510	1,109	105,796	6,504	65,248	212,167
Profit and total comprehensive income for the year	–	–	–	–	3,752	3,752
Dividends recognised as distribution	–	–	–	–	(49,014)	(49,014)
Exercise of warrants	5,124	–	–	(364)	–	4,760
At 31 December 2013	38,634	1,109	105,796	6,140	19,986	171,665

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2013 and 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2013 %	31.12.2012 %	Principal activities
Dragon Trading Limited	British Virgin Islands/Hong Kong	Ordinary US$40,000	100	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
Hi-Level Technology Limited	Hong Kong	Ordinary HK$25,000,000	51	51	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	100	100	Distribution of LED lighting products
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	70	70	Distribution of electronic products

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			31.12.2013	31.12.2012	
			%	%	
Sportline Limited	Hong Kong	Ordinary HK$200,000	**100**	100	Distribution of sports products
時捷電子科技(深圳)有限公司**	The PRC	Registered capital HK$20,000,000	**100**	100	Distribution of electronic products
Chenmtech Company Limited 全曄科技股份有限公司	Taiwan	Registered capital TWD70,000,000	**51**	51	Distribution of electronic products
Time Speed Technology Corporation 時曄科技股份有限公司	Taiwan	Registered capital TWD50,000,000	**51**	51	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2013	31.12.2012	**2013**	2012	**31.12.2013**	31.12.2012
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hi-Level Technology Limited	Hong Kong	**49**	49	**6,708**	3,570	**35,328**	28,561
SMartech Electronic Company Limited	Hong Kong	**30**	30	**34,365**	14,890	**59,633**	35,768
Chenmtech Company Limited	Taiwan	**49**	49	**(3,372)**	157	**9,690**	13,062
Time Speed Technology Corporation	Taiwan	**49**	49	**4,204**	(20)	**10,632**	6,428
Individually immaterial subsidiaries with non-controlling interests				**(14)**	(690)	**569**	(17)
						115,852	83,802

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Hi-Level Technology Limited		SMartech Electronic Company Limited		Chenmtech Company Limited		Time Speed Technology Corporation	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current assets	**192,220**	147,288	**1,337,230**	1,033,534	**27,753**	85,838	**104,001**	13,626
Non-current assets	**14,530**	10,821	**818**	1,074	**11,723**	11,493	**233**	–
Current liabilities	**(134,652)**	(99,820)	**(1,139,273)**	(915,382)	**(19,700)**	(70,674)	**(82,537)**	(508)
Equity attributable to owners of the Company	**36,770**	29,728	**139,142**	83,458	**10,086**	13,595	**11,065**	6,690
Non-controlling interests	**35,328**	28,561	**59,633**	35,768	**9,690**	13,062	**10,632**	6,428

	Hi-Level Technology Limited		SMartech Electronic Company Limited		Chenmtech Company Limited		Time Speed Technology Corporation	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**711,336**	537,648	**6,637,806**	3,502,342	**79,300**	157,200	**559,474**	504
Profit (loss) for the year	**13,690**	7,285	**114,549**	49,632	**(6,882)**	320	**8,579**	(40)
Profit (loss) attributable to owners of the Company	**6,982**	3,715	**80,184**	34,742	**(3,510)**	163	**4,375**	(20)
Profit (loss) attributable to the non-controlling interests	**6,708**	3,570	**34,365**	14,890	**(3,372)**	157	**4,204**	(20)
Profit (loss) for the year	**13,690**	7,285	**114,549**	49,632	**(6,882)**	320	**8,579**	(40)
Total comprehensive income (expense) attributable to owners of the Company	**7,040**	3,611	**80,184**	34,742	**(3,510)**	299	**4,375**	(20)
Total comprehensive income (expense) attributable to the non-controlling interests	**6,767**	3,758	**34,365**	14,890	**(3,372)**	287	**4,204**	(20)
Total comprehensive income (expense) for the year	**13,807**	7,369	**114,549**	49,632	**(6,882)**	586	**8,579**	(40)
Dividends paid to non-controlling interests	**–**	–	**10,500**	1,500	**–**	–	**–**	–

RESULTS

	For the year ended 31 December				
	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013** **HK$'000**
Revenue	3,477,840	4,367,400	5,327,132	6,319,047	**10,797,607**
Profit before tax	67,996	109,660	120,862	122,246	**249,977**
Income tax expense	(5,661)	(14,133)	(11,467)	(13,487)	**(35,952)**
Profit for the year	62,335	95,527	109,395	108,759	**214,025**
Profit for the year attributable to:					
Owners of the Company	54,448	83,135	102,083	90,852	**172,134**
Non-controlling interests	7,887	12,392	7,312	17,907	**41,891**
	62,335	95,527	109,395	108,759	**214,025**

ASSETS AND LIABILITIES

	At 31 December				
	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013** **HK$'000**
Total Assets	1,486,074	1,679,785	1,926,411	2,353,252	**2,757,540**
Total Liabilities	(1,010,047)	(1,124,068)	(1,299,046)	(1,636,524)	**(1,879,141)**
Net Assets	476,027	555,717	627,365	716,728	**878,399**
Equity attributable to owners of the Company	440,208	504,328	565,594	632,926	**762,547**
Non-controlling interests	35,819	51,389	61,771	83,802	**115,852**
Total Equity	476,027	555,717	627,365	716,728	**878,399**

Restatement in respect of the change in accounting policies described in note 2 to the consolidated financial statements has been made for the years ended 31 December 2009, 2010, 2011 and 2012.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lot No.	Category of lease	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11623/588444 shares of Kowloon Inland Lot No. 10985	Medium term	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit 1212 on 12th Floor, Habour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	Kowloon Inland Lot No. 10600	Medium term	Commercial

The Group has 100% interest in the above properties.