TC ORIENT LIGHTING HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 515

ANNUAL REPORT 2013

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan
(Chairman of the Board of Directors) (the "Chairman")
Mr. Zhu Jianqin
Mr. Kwok Tung Fai

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Cheung Sui Wing, Darius *(Chairman of the committee)*
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred
Mr. Fong Ping

REMUNERATION COMMITTEE

Mr. Sung Lee Ming, Alfred *(Chairman of the committee)*
Mr. Yeung Hoi Shan
Mr. Cheung Sui Wing, Darius
Mr. Wong Siu Fai, Albert
Mr. Fong Ping

NOMINATION COMMITTEE

Mr. Cheung Sui Wing, Darius *(Chairman of the committee)*
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred
Mr. Fong Ping
Mr. Yeung Hoi Shan

COMPANY SECRETARY

Mr. Kwok Tung Fai

AUTHORISED REPRESENTATIVES

Mr. Yeung Hoi Shan
Mr. Kwok Tung Fai

HEAD OFFICE

Room 03, 15/F, Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu

MEDIA AND INVESTOR RELATIONS

NCC Financial PR Limited

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch, Guangdong, the PRC
Agricultural Bank of China,
Zhongshan Branch, Guangdong, the PRC
Luso International Banking Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Chinatrust Commercial Bank, Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

00515

WEB-SITE

www.tatchun.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board of Directors") of TC Orient Lighting Holdings Limited (the "Company"), and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the Group's result for the year ended 31 December 2013.

OVERVIEW

CONTINUOUS SUPPORT FROM THE PRC GOVERNMENT

Various supportive policies are announced by the PRC government continuously. For example, in January 2013, The Ministry of Finance announced "The 13th Purchasing List of Energy-saving Products", which LED lighting products were firstly selected in the government's purchasing list. In addition, in February 2013, The National Development and Reform Commissions, The Ministry of Science and Technology, The Ministry of Industry and Information Technology, The Ministry of Finance, The Ministry of Housing and Urban-Rural Development, and General Administration of Quality Supervision, Inspection and Quarantine jointly announced the "Development Plan for Energy Saving LED Lighting" (半導體照明節能產品產業規劃). The supportive policies imply the popularity of LED lighting and the government recognised LED lighting products as one of the most important energy-saving products to be promoted in the market.

ENHANCED LIQUIDITY OF THE LED BUSINESS UNIT

In order to improve the liquidity and flexibility of the Group's LED business, stringent risk assessment over potential LED lighting contracts is steadily strengthened. The Group intends to increase the percentage of sales with cash basis progressively. About 50% of the newly entered and completed LED lighting contracts are payable within one year and helps securing steady working capital for the Group to expand its LED business in long term.

MARKET PENETRATION

During the year, the Group completed new LED lighting contracts in various provinces in China, such as Hunan, Guangdong and Henan. The decline in LED lighting turnover during the year is mainly due to the impact of the uncertainty before the completion of the national political transition in PRC, as well as the stringent risk assessment over the potential LED lighting contracts. Upon the completion of the national political transition, the local governments in the various provinces in China resume to intensify their efforts to promote LED lighting. The Group will strive to secure more LED street light installation contracts with the accumulated experience and quality products. In addition, the Group will continue to co-operate with the property developers, in terms of the commercial lighting business, in order to explore sources of business revenue.

It has been also a challenging year for the Group's PCB business as explained in "Financial Review" section. The Group's PCB technology is maturely developed.

CHAIRMAN'S STATEMENT

LED LIGHTING BECOMES A GLOBAL TREND

Energy efficiency enhancement has become a global trend. LED lighting plays an important role in energy saving, which is promoted by many countries. According to GG-LED industry institute (GLII), the 2013's total export volume of LED street light in PRC was 870,000, amounting to around RMB2.2 billion, increased by 149% and 96% respectively as compared to the same period in 2012, indicating a significant increase in global demand. Given more regions support LED lighting progressively, the demand is expected to increase continuously, and the Group will strive to develop the LED lighting business and expand its market penetration to overseas.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Yeung Hoi Shan
Chairman

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated 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 the deviation disclosed in the following paragraph:

– With respect to Code Provision A.2.1, the roles of Chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for directors in their dealings in the Company's securities. Having made specific enquiry with directors, all directors confirmed that they complied with the Model Code during the year ended 31 December 2013.

DIRECTORS

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises nine members, consisting of three executive directors ("ED"), two non-executive directors ("NED") and four independent non-executive directors ("INED"). Further details of the composition of the Board are set out on page 2. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 22 to 24 of the Annual Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

The Board has established a policy setting out the approach to achieve diversity on the Board (the "Board Diversity Policy") with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

In addition, the Board has met Rule 3.10 of the Listing Rules, that at least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as two INED, namely Mr. Wong Siu Fai, Albert and Mr. Sung Lee Ming, Alfred are qualified accountants. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

The Company has held 11 board meetings during the year ended 31 December 2013 and the attendance records are set out below:

Name of directors	**Number of attendance**
Executive directors	
Yeung Hoi Shan	11/11
Zhu Jianqin	3/11
Kwok Tung Fai	11/11
Non-executive directors	
Li Jin Xia	3/11
Yeung Tai Hoi	3/11
Independent non-executive directors	
Cheung Sui Wing, Darius	11/11
Wong Siu Fai, Albert	11/11
Sung Lee Ming, Alfred	11/11
Fong Ping	3/11

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

The Company has held 1 shareholders' meeting during the year ended 31 December 2013 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan	1/1
Zhu Jianqin	1/1
Kwok Tung Fai	1/1
Non-executive directors	
Li Jin Xia	1/1
Yeung Tai Hoi	1/1
Independent non-executive directors	
Cheung Sui Wing, Darius	1/1
Wong Siu Fai, Albert	1/1
Sung Lee Ming, Alfred	1/1
Fong Ping	1/1

Furthermore, the Chairman, during the year ended 31 December 2013, has also held one meeting with all the non-executive and independent non-executive directors without the presence of the executive directors.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Yeung Hoi Shan is the Chairman of the Board of Directors. The Chief Executive position is vacant.

This was at variance with code provision A.2.1 of the Former Code and the New Code, which provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are four independent non-executive directors and two non-executive directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore in the view that there are adequate balance of power and safeguards in place.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Group also provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group continuously updates directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Name of directors	Type of Training
Executive directors	
Yeung Hoi Shan	A,B
Zhu Jianqin	A,B
Kwok Tung Fai	A,B
Non-executive directors	
Li Jin Xia	A,B
Yeung Tai Hoi	B
Independent non-executive directors	
Cheung Sui Wing, Darius	A,B
Wong Siu Fai, Albert	A,B
Sung Lee Ming, Alfred	A,B
Fong Ping	B

A: attending seminars and/or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities etc.

APPOINTMENT, RE-ELECTION AND REMOVAL

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

RESPONSIBILITIES OF DIRECTORS

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors, as other directors, participate actively in the board meetings and meetings of Audit Committee, Nomination Committee and Remuneration Committee. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

RESPONSIBILITIES OF DIRECTORS *(Continued)*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

OTHER COMMITMENTS

For directors, the number and nature of offices held in public companies or organisations, if any, are disclosed in the "Biographies of Directors and Senior Management" on pages 22 to 24 of the Annual Report. The Board has been fully informed and agrees with the directors' participation in the following part-time non-corporate functions:

No	Name	Organisation	Function	Period
1	Yeung Hoi Shan	All-China Federation of Industry & Commerce	Executive member	Jan 2013 to Dec 2013
2	Yeung Hoi Shan	CPPCC National Committee of HeNan	Member	Apr 2013 to Dec 2013
3	Yeung Hoi Shan	CPPCC National Committee of ZhongShan	Member	Jan 2013 to Dec 2013
4	Yeung Hoi Shan	Guangdong Provincial Association of Enterprises with Foreign Investment	Vice President	Apr 2013 to Dec 2013
5	Yeung Hoi Shan	Kwai Tsing District Fight Crime Committee	Chairman	Apr 2013 to Dec 2013
6	Yeung Hoi Shan	JPC Honorary President of the Kwai Tsing District Council	Chairman	Jan 2013 to Dec 2013
7	Yeung Hoi Shan	Hong Kong Federation of Zhong Shan Unions and Association Ltd	Standing Vice Chairman	Jan 2013 to Dec 2013

INSURANCE

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

The Company has also arranged appropriate key man insurance, with coverage being reviewed annually, to cover for potential financial loses that would arise from the death or extended incapacity of the member of the Company specified on the policy. At the moment, key man insurance has been arranged for Mr. Yeung Hoi Shan, Chairman of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors in advance before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises of five directors including Mr. Sung Lee Ming, Alfred, Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert and Mr Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Sung Lee Ming, Alfred is the chairman of RC.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference are available on the Company's website: www.tatchun.com and The Stock Exchange of Hong Kong Limited ("HKEX") website.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management.

During the year ended 31 December 2013, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Sung Lee Ming, Alfred	2/2
Yeung Hoi Shan	2/2
Cheung Sui Wing, Darius	2/2
Wong Siu Fai, Albert	2/2
Fong Ping	0/2

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors during the year. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. Details of the remuneration of senior management (including directors) are disclosed below:

	2013 **No of persons**
Emoluments (including directors fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD 5,000,000 – HKD 6,000,000	1
HKD 4,000,000 – HKD 5,000,000	–
HKD 3,000,000 – HKD 4,000,000	–
HKD 2,000,000 – HKD 3,000,000	–
HKD 1,000,000 – HKD 2,000,000	2
HKD 400,000 – HKD 1,000,000	2

NOMINATION COMMITTEE

The Nomination Committee ("NC") comprises of five directors including Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming, Alfred and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Cheung Shui Wing, Darius is the chairman of NC.

The primary function of the Nomination Committee is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference are available on the Company's website: www.tatchun.com and HKEX website.

One meeting has been held to review the Board Diversity Policy and its implementation during the year ended 31 December 2013.

Name of member	**Number of attendance**
Cheung Sui Wing, Darius	1/1
Wong Siu Fai, Albert	1/1
Sung Lee Ming, Alfred	1/1
Fong Ping	1/1
Yeung Hoi Shan	1/1

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management provides such explanation and information to the Board on monthly basis so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, and the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner after the end of the relevant periods.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. Since 2008, the Board has maintained a special task force internally to review the effectiveness of the system. During the course of internal review in 2013, no material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises the four independent non-executive directors, namely Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming, Alfred and Mr. Fong Ping. Two of AC members possess recognised professional qualifications in accounting and have wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference are available on the Company's website: www.tatchun.com and HKEX website.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

Five Audit Committee meetings were held in 2013 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	**Number of attendance**
Cheung Sui Wing, Darius	5/5
Wong Siu Fai, Albert	5/5
Sung Lee Ming, Alfred	5/5
Fong Ping	2/5

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The Company's annual results for the year ended 31 December 2013 has been reviewed by the Audit Committee.

Apart from the Audit Committee meetings, the four independent non-executive directors have met with the auditors, in the absence of management, to discuss matters relating to the Company's audit fees and other issues arising from the audit for the year ended 31 December 2013. No special attentions have been made to the management of the Company with respect to this meeting.

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that their engagement in other non-audit services will not impair their audit independence or objectivity.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2013, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,600
Non-audit services	
– Taxation services	131
– Interim review	300

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

MANAGEMENT FUNCTIONS

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDERS

EFFECTIVE COMMUNICATION

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The Chairman of the Board and the Chairmen of Audit Committee, Remuneration Committee and Nomination Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming annual general meeting on each substantially separate issue, including the re-election of the retiring directors. The full Shareholder Communication Policy is available on the Company's website: www.tatchun.com.

According to article 58 of the Article of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the company secretary of the Company by mail to Room 03, 15/F, Aitken Vanson Centre, No. 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong or by email to tatchun@tatchun.com.

VOTING BY POLL

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

INVESTOR RELATIONS

The full Memorandum and Articles of Association are available on the Company's website: www.tatchun.com and HKEX website. No significant change is made to the Company's constitutional documents during the year.

COMPANY SECRETARY

Mr. Kwok Tung Fai was appointed as Chief Operating Officer of the Company with effect from 1 August 2013. He is an executive director, company secretary and authorised representative of the Company.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarised as follows:

	Year 2013		Year 2012		Decrease	Change in
	HK$'000	%	HK$'000	%	HK$'000	%
LED lighting	75,787	11.2	132,450	15.8	(56,663)	(42.8)
Single-sided PCB	182,975	27.1	183,591	22.0	(616)	(0.3)
Double-sided PCB	216,325	32.0	278,954	33.4	(62,629)	(22.5)
Multi-layered PCB	201,120	29.7	240,506	28.8	(39,386)	(16.4)
Total	676,207	100	835,501	100	(159,294)	(19.1)

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 50% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 29.7% of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2013		Year 2012		Decrease	Change in
	HK$'000	%	HK$'000	%	HK$'000 %	%
Hong Kong	172,203	25.5	185,681	22.2	(13,478)	(7.3)
The PRC	330,655	48.9	411,361	49.2	(80,706)	(19.6)
Asia (Excluding Hong Kong and the PRC)	123,541	18.3	158,638	19.0	(35,097)	(22.1)
Europe	41,382	6.1	67,216	8.1	(25,834)	(38.4)
Others	8,426	1.2	12,605	1.5	(4,179)	(33.2)
Total	676,207	100	835,501	100	(159,294)	(19.1)

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

Production plant	Location	Area	Products	Production capacity	Commencement of operations
LED lighting	Shenzhen, Guangdong the PRC	3,000 sq. m.	LED lighting	15,000 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 layered PCBs	1,300,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	2 – 12 layered PCBs	900,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group's turnover amounted to approximately HK$676.2 million, representing a decrease of 19.1% as compared to approximately HK$835.5 million for the year ended 31 December 2012. The turnover of LED lighting has decreased by 42.8% during the year of 2013. The gross (loss) profit margin for the year of 2013 was (20.7)% (2012: 6.8%). The gross profit (loss) margins for LED lighting and PCBs were 26.1% and (26.6)% respectively. During the year of 2013, the average utilisation rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 60%, 41% and 57% respectively.

The turnover and gross profit margin in both LED lighting and PCB business decreased, mainly attributable to (i) strong competition in LED lighting sector; (ii) more competitiveness in PCB industry; (iii) excess capacity of machinery in PCB business; and (iv) reduction in average selling price of PCB.

In view of the business competition prevailing for the year ended 31 December 2013, the Group decided to streamline its production facilities by consolidating its two separate production plants into one in the mid year of 2013. The Group also laid-off all the excess staff and workers in order to optimise its production overheads in the future. During the course of the Group's restructuring of its production facilities and related human resources, the Group had incurred some unforeseen production costs, like wastage of raw materials, during the course of moving the production machines as a result of some errors occurred in the calibration of production machines, and miscalculation of production data. After all, in late 2013, the Group has commenced to enjoy the advantages of consolidation of production capacity by increasing production efficiency, savings in labor costs, and lower scrap rate in raw materials. The management believes that the aggregate effect will have a positive impact in the 2014 results of the Group.

Loss attributable to shareholders was approximately HK$306.8 million (2012: HK$233.1 million). The loss was also due to the following non-recurring items.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

During the year, the directors conducted a review of the Group's plant and machinery and determined that a number of those assets were impaired due to the decline of market price and the increase in cost of production. Accordingly, impairment losses of HK$18,778,000 (2012: HK$54,043,000) and HK$4,694,000 (2012: HK$15,342,000) were recognised respectively in respect of plant and machinery and leasehold improvements, which are used in the Group's PCB business. The recoverable amount of the relevant assets is determined on the basis of their value in use and is less than the carrying value before impairment assessment as at 31 December 2013. The discount rate in measuring the amounts of value in use is assumed to be 12% (2012: 18%) in relation to plant and machinery and leasehold improvements. The growth rate is assumed to be zero for both years. The inflation rate is assumed to be 3% (2012: 3%). The remaining weighted average useful life is assumed to be around 4 years (2012: 5 years). Key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the cash-generating unit's past performance and management expectations for the market development.

No negative cashflow effect is made to the Group.

IMPAIRMENT LOSS IN RESPECT OF INVENTORIES

During the year, the directors conducted a review of the Group's inventories and determined that the finished goods aged over 180 days, and raw materials aged over 1 year, were fully impaired, due to dynamic market changes. Accordingly, impairment loss of HK$9,124,000 has been recognised in respect of inventories.

No negative cashflow effect is made to the Group.

IMPAIRMENT LOSS RECOGNISED ON INTANGIBLE ASSETS

The intangible assets of the Group represent the licenses of LED – related products for production of LED lighting. Such intangible assets have finite useful life and are amortised on a straight-line basis over the license periods of the respective assets, which are ranged from 6 to 10 years from the date of acquisition.

During the year, the directors conducted a review of the Group's intangible assets and determined that they were impaired, due to decline of market price and the increase in cost of production. Accordingly, impairment losses of HK$28,686,000 have been recognised in respect of intangible assets, which were used in the Group's manufacturing and trading of LED lighting business (2012: HK$10,500,000). The recoverable amount of the relevant assets have been determined on the basis of their value in use and is less than carrying value before impairment assessment as at 31 December 2013. The discount rate in measuring the amounts of value in use is assumed to be 12% (2012: 18%). The growth rate is assumed to be zero for both years. The inflation rate is assumed to be 3% (2012: 3%). The remaining weighted average useful life is assumed to be 4.7 years (2012: 5.5 years). The net cash (outflow)/inflow for coming 5 years (2012: 6 years) is in the range of HK$(13 million) (2012: HK$10 million) to HK$(23 million) (2012: HK$16 million) per year approximately. Key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin, such estimation is based on the cash-generating unit's past performance and management expectations for the market development.

No negative cashflow effect is made to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

WRITTEN OFF/IMPAIRMENT LOSS RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

Since July 2010, the Group was over-optimistic in LED lighting business, like our peers, and experienced too fast expansion in securing LED lighting projects in various cities. During the year, the management performed an impairment assessment on trade receivables and other receivables. The written off/impairment losses of HK$14,149,000 (2012: HK$165,206,000) for LED lighting business and HK$189,000 (2012: HK$5,077,000) for PCB business were recognised respectively. More stringent risk management measures have been implemented to control the credit risk since the second half of 2012.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2013, the Group had total assets of approximately HK$1,089.9 million (31 December 2012: HK$1,336.9 million) and interest-bearing borrowings of approximately HK$142.3 million (31 December 2012: HK$196.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 13.1% (31 December 2012: 14.7%).

The Group had net current assets of approximately HK$11.5 million (31 December 2012: net current assets of HK$201.2 million) consisted of current assets of approximately HK$669.4 million (31 December 2012: HK$817.4 million) and current liabilities of approximately HK$657.9 million (31 December 2012: HK$616.3 million), representing a current ratio of approximately 1.02 (31 December 2012: 1.33).

As at 31 December 2013, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$143.5 million (31 December 2012: HK$163.9 million). As at 31 December 2013, the Group had bank balances, deposit and cash of approximately HK$108.8 million (31 December 2012: HK$118.8 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2013, the Group employed a total of approximately 1,953 employees (31 December 2012: 2,287), including approximately 1,849 employees in its Zhongshan production Site, 91 employees in its PRC LED business units and approximately 13 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend (31 December 2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of Shareholders who are entitled to attend and vote at forthcoming annual general meeting ("AGM"), the register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effective from 31 March 2014) not later than 4:30 p.m. on Tuesday, 3 June 2014.

OUTLOOK

1. GROUP STRATEGIC MOVE AND PROSPECTS IN LED SEGMENT

A. Enhancement of existing technology and production base

The Group understands that the potentials of the LED segment have not been fully explored. Based on our current technology platform, accumulated experience and to further strengthen our market share in the street light market, the Group has formulated the following strategies going forward:

(i) Selling of street light modules to partners other than first tier cities

The Group will continue to focus our effort in pursuing large street light projects in first tier cities as these projects require an established brand, quality product and control experience of extensive project profile.

Gauged on our technology and strong procurement strengths, establishing partnership with other street light service providers other than first tier cities will be the focus of our marketing effort. Other than further utilising our technology and production capacity, this move will definitely improve our market share in Mainland China and also our cash flow in the coming years though the margin per project is expected to reduce.

On balance, the Group believes that this strategy will make the Group become stronger in the LED street light sector and increase overall profitability level.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Extension to the overseas market of street light

Thanks to our extensive project experience, quality of our products and the product profiles in Mainland China, the Group has been approached by various overseas buyers to request the supply of street light overseas. This request has inspired the Group to consider the overseas market in the coming financial year. This strategic change will further utilise our existing technology and production platform.

Accordingly, the Group expects to expand the overseas division by recruiting more professionals or combining other companies in order to vigorously explore the overseas market potentials.

Certainly, more research and development will be on advanced street light application including wireless control system of the smart street light which has been started to apply in Mainland China by our Group.

(iii) New product range: High-watt-flood-light for signage lighting

Well know issue for the advertising industry is that the signage lighting has consumed a lot of power energy for the signboard or the billboard. As the Group has extensive experience in lighting design in utilising special lens, high wattage driver, high power LED chips and heat sink ("Special Lighting Design", or SLD), the Group believe this market potential is great and will focus to develop a series of products which will match the special requirements of the advertising industry normally utilising the lights with a range between 100 watts to more than 1,000 watts.

B. Extension of our technology to Special Lighting Design

As just mentioned, the Group has specialised experience in SLD, the potential in applying our existing researches are also vital to the Group development in the LED lighting sectors. As a result, the Group has continued to search the applications which could utilise our technology base to further develop our product profile and hence the lucrative drive to improve the Group's performance.

Through our extensive research, the Group has identified that Horticulture and Floriculture lightings require a lot of application of SLD. As food safety and supply issues attracts global attention, the utilisation of LED lighting in the plant factory combining with controlled hydroponic systems will be a modern trend in the world's advanced application of horticulture business.

Researches show that the Global Warming and Dimming issues please refer to http://en.wikipedia.org/ wiki/ Global_sunlight_dimming for details make the amount of sunlight and solar radiation declined over the past decades.

The Group believes that the development of the product profiles in the Grow lights as mentioned before will generate more business in future in a special LED lighting sector which has a lot of potentials which the global demand is significant.

The Group may consider developing in the plant factory system and industry if opportunity comes.

Certainly, the Group may also identify partners in this sector to work together by forming joint venture or acquisition of their technology to enter this industry as earliest as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

C. Extension of product profile

As the LED technology has become more stable, the demand of products for small-wattage products (1 watt to 48w) becomes more popular. The market volumes of these products are huge for both Mainland market and overseas market.

The Group will select certain product range to specialise in certain products in order to tap the market move in the coming financial year. Certainly, the Group will focus on either special products or high volumes product in order to fully utilise the branding effect and production capacity.

D. Conclusion

No matter what, as mentioned the LED lighting industry will have rocket growth for industrial and commercial applications. Riding on these moves, surely, the Group will seize this opportunity by combining the current and new technology and resources to move a big step forward. Above all, the Group is very confident in the coming year to improve our performance in the LED lighting sector and the new product development will certainly bring our Group into a new era.

2. GROUP STRATEGIC MOVE AND PROSPECTS IN PCB SEGMENT

In addition to the continuous development of the Group's LED lighting business, with our maturely developed PCB technology, we are looking for any co-operations opportunity with a strong strategic partner to develop the PCB business, and do not rule out any possible joint venture. At the same time, the Group will keep looking for opportunities to diversify the business for long term development.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan, aged 53, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. Mr. Yeung is in charge of the corporate strategy, planning and overall development of the Group. He has over 32 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li and the brother of Mr. Yeung Tai Hoi.

Mr. Kwok Tung Fai, aged 41, was appointed as the Chief Operating Officer of the Company 1 August 2013, an executive director since 1 April 2012, company secretary, and authorised representative of the Company since 18 April 2012. He is currently responsible for company secretarial matters and supervising execution of operation plan according to Company's strategic goals. He first joined the Company as an assistant accounting manager in June 2004 and later promoted to the position of accounting manager. He left the Company in June 2007 and then re-joined the Company as the financial controller in January 2010. As financial controller, he was previously responsible for the banking facilities, company secretarial matters and financial accounting of the Group. As Chief Financial Officer of the Company during the period from 18 April 2012 to 31 July 2013, he was responsible for investor relations, banking facilities and company secretarial matters. Apart from working with the Company, Mr. Kwok has over 8 years of experience working in various corporations, including multinational accounting firms, multinational financial institution, listed company in Hong Kong and other private companies. Mr. Kwok is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. He obtained a Master of Finance degree from Hong Kong University of Science and Technology in 2010 and a bachelor degree in Business Administration from The Chinese University of Hong Kong in 1997.

Mr. Zhu Jianqin, aged 41, was appointed as an executive director with effective from 7 September 2010. Mr. Zhu is an expertise in LED control systems and has more than 18 years of working experience in electronic industry. Mr. Zhu has obtained a bachelor degree and a master degree in Engineering at Harbin Institute of Technology. He was the co-founder of Shenzhen Maxcolor Opto-Semiconductor Lighting Technology Limited and re-structured it as Orient Opto-Semiconductors Corp. ("Dongfang") in 2009. Mr. Zhu is a shareholder and director of Dongfang (a holder of 30% interest of a subsidiary of the Company).

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia, aged 76, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

Mr. Yeung Tai Hoi, aged 56, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 11 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius, aged 55, was appointed as an independent non-executive director on 5 June 2006. He was the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong until February 2014. Before that, he worked as a vice president and general manager for various consumer electronics manufacturers.

Mr. Wong Siu Fai, Albert, aged 54, was appointed as an independent non-executive director on 5 June 2006. He is currently the chief financial officer and an executive director of Walcom Group Limited,listed on AIM of London Stock Exchange and has over 30 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a member of the ICAEW and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of Listing Rules.

Mr. Sung Lee Ming, Alfred, aged 55, was appointed as an independent non-executive director with effect from 1 April 2012. Mr. Sung graduated with a Bachelor of Economics degree from La Trobe University of Australia in 1984. He is a member of CPA (Australia), a fellow member of the Institute of Chartered Accountants in Australia and a fellow member (Practicing) of the Hong Kong Institute of Certified Public Accountants. Mr. Sung has over 29 years of experience in public accounting. He has been practicing as Certified Public Accountant through Alfred Sung & Co. and possesses a lot of experience in auditing, taxation, management and financial advisory services. Mr. Sung has worked with one of the Big Four accounting firms for about 6 years. In 1990, he set up his own practice and provides personalised quality professional services to his clients. Mr. Sung is appointed by way of a letter of appointment for a term of two years and is subject to retirement by subject to rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Mr. Fong Ping, aged 62, was appointed as an independent non-executive director with effect from 15 June 2012. Mr Fong is the president of Canaan Holdings Limited. He is also a director of Hong Kong Isabelle Company Limited and Hong Kong Zoe Fong Jewelry Limited. Mr. Fong has over 27 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council, an observer of Independent Police Complaints Council, a member of District Fight Crime Committee, Kwai Tsing, Appeal Tribunal Panel (Buildings) of the Development Bureau of the Government of Hong Kong Special Administrative Region, Municipal Services Appeals Board and Ma Wan Park Advisory Committee. Mr. Fong is also member of Political Consultative Conference of Guangdong Province and Senior of Shantou City People's Political Consultative Conference. Mr. Fong is also a member of The Chinese Manufacturer's Association of Hong Kong, Co-Chairman of The Overseas Teo Chew Young Enterprises, Vice Chairman and Secretary General of New Territories Chiu Chow Federation, director of the Hong Kong Chiu Chow Chamber of Commerce Limited, chairman of Hong Kong & Kowloon Chiu Chow Public Association and Honorary Director of The University of Hong Kong Foundation for Educational Development & Research. Save as disclosed above, Mr. Fong does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications. Mr. Fong is appointed by way of a letter of appointment for a term of two years commencing on 15 June 2012 and is subject to retirement by subject to rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lo Sik Ki,Banson, aged 44, was appointed as the general manager of Tat Chun Printed Circuit Board Company Limited in 14 January 2013. Mr. Lo was responsible for the overall management of the factories in the PCB business unit. Mr. Lo has over 16 years of experience in the electronics industry, having held numerous Sales and Marketing, and General Management positions in Wong's Electronics, Viasystems, Jabil Circuit, Shenzhen Sea Star, SMTC Corporation, and Valuetronics. Prior to joining the Group, he was the Head of Business & Program Management in Valuetronics Company Limited. He holds a Bachelor of Business from the University of Southern Queensland, Australia and Master of Arts in Global Business Management from the City University of Hong Kong. Mr. Lo resigned as the general manager of Tat Chun Printed Circuit Board Company Limited with effect from 4 February 2014.

Mr. Chan Chi Wo, William, aged 54, was appointed as the general manager of TC Hong Kong Electric Company Limited in 5 March 2014. Mr Chan was responsible for the overall management of the factories in the PCB business unit. Mr. Chan has over 30 years of general management experience in the electronics industry, mainly PCB companies, including Kalex Circuit Co Ltd. Prior to joining the Group, he was the Operation Director in Olympic Circuit Technology Co., Ltd. He holds a Bachelor of Business from the Open University of Hong Kong.

Mr. Wong Yee Shun, Pius, aged 39, was appointed as Marketing General Manager of TC Hong Kong Electric Co., Ltd, from 23 September 2013. Mr. Wong was in charge of overall sales and marketing activities in the PCB business unit. Before joining the Group, Mr. Wong has over 9 years of working experience in the electronics industries, mainly Elec & Eltek. He holds a Bachelor of Arts from University of Toronto. He resigned as the Marketing General Manager with effect from 17 January 2014.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of TC Orient Lighting 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. The activities of its principal subsidiaries are set out in note 42 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 page 35.

The directors do not recommend the payment of a final dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 102.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2013 were as follows:

	2013 **HK$'000**	2012 HK$'000
Share premium	**438,042**	438,395
Contributed surplus	**145,058**	145,058
Accumulated losses	**(236,285)**	(203,837)
	346,815	379,616

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital and warrants of the Company are set out in note 28 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Zhu Jianqin
Mr. Kwok Tung Fai

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred
Mr. Fong Ping

In accordance with the provisions of the Company's Articles of Association, Mr. Kwok Tung Fai, Madam Li Jinxia and Mr. Wong Siu Fai, Albert retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Jianqin entered into a service contract with the Company for a term of two years from 7 September 2012, determinable by either party by giving three months' prior written notice.

Mr. Yeung Hoi Shan entered into a service contract with the Company for a term of two years from 12 June 2012, determinable by either party by giving three months' prior written notice.

Mr. Kwok Tung Fai entered into a service contract with the Company for a term of two years from 1 August 2013, determinable by either party by giving three months' prior written notice.

All the Non-Executive Directors and Independent Non-Exectuive Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 31 May 2013, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 31 May 2013 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of movements in the share options of the Company are as follows:

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2013 '000	Granted during the year '000	Reclassification '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2013 '000	Exercisable period
Directors:									
Mr. Yeung Hoi Shan	29 September 2009	1.07	2,400	–	–	–	–	2,400	(Note 1)
Mr. Zhu Jianqin	29 September 2009	1.07	600	–	–	–	–	600	(Note 1)
	2 September 2011	2.11	2,300	–	–	–	–	2,300	(Note 3)
Mr. Kwok Tung Fai	14 July 2010	1.50	240	–	–	–	–	240	(Note 2)
Mr. Wong Siu Fai, Albert	29 September 2009	1.07	140	–	–	–	–	140	(Note 1)
	14 July 2010	1.50	200	–	–	–	–	200	(Note 2)
	2 September 2011	2.11	200	–	–	–	–	200	(Note 3)
Mr. Cheung Sui Wing, Darius	29 September 2009	1.07	80	–	–	–	–	80	(Note 1)
	14 July 2010	1.50	140	–	–	–	–	140	(Note 2)
	2 September 2011	2.11	200	–	–	–	–	200	(Note 3)
Mr. Yeung Tai Hoi	29 September 2009	1.07	80	–	–	–	–	80	(Note 1)
Madam Li Jinxia	29 September 2009	1.07	700	–	–	–	–	700	(Note 1)
Subtotal			7,280	–	–	–	–	7,280	

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2013 '000	Reclassified during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2013 '000	Exercisable period
Consultants:	29 September 2009	1.07	1,300	–	–	(100)	1,200	(Note 1)
	29 September 2010	2.62	2,000	–	–	–	2,000	(Note 2)
	11 October 2010	2.70	400	–	–	–	400	(Note 2)
	29 November 2010	3.39	1,300	–	–	–	1,300	(Note 2)
			5,000	–	–	(100)	4,900	
Employees:	29 September 2009	1.07	2,172	–	–	(1,106)	1,066	(Note 1)
	14 July 2010	1.50	988	–	–	(910)	78	(Note 2)
	29 September 2010	2.62	300	–	–	(300)	–	(Note 2)
	2 September 2011	2.11	5,000	–	–	(2,100)	2,900	(Note 3)
Subtotal			8,460	–	–	(4,416)	4,044	
Total			20,740	–	–	(4,516)	16,224	

Note 1: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 38 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests of the directors and their associates 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 Futures 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:

Interest in securities:

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	145,902,000	32.99%

Interests in underlying shares pursuant to share options:

Name of directors	Capacity	Date of grant	Exercise price per share HK$	Number of share options granted
Mr. Yeung Hoi Shan	Beneficial owner	29 September 2009	1.07	2,400,000
Mr. Wong Siu Fai, Albert	Beneficial owner	29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
		2 September 2011	2.11	200,000
Mr. Cheung Sui Wing, Darius	Beneficial owner	29 September 2009	1.07	80,000
		14 July 2010	1.50	140,000
		2 September 2011	2.11	200,000
Mr. Yeung Tai Hoi	Beneficial owner	29 September 2009	1.07	80,000
Madam Li Jinxia	Beneficial owner	29 September 2009	1.07	700,000
Mr. Zhu Jianqin	Beneficial owner	29 September 2009	1.07	600,000
		2 September 2011	2.11	2,300,000
Mr. Kwok Tung Fai	Beneficial owner	14 July 2010	1.50	240,000
				7,280,000

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2013.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31 December 2013, the following person (other than a director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Ms. Zhao Man Qi (Note)	Interest of spouse	145,902,000	32.99%

Interest in underlying shares pursuant to share options:

Name	Capacity	Date of grant	Number of share options granted	Exercise price HK$
Ms. Zhao Man Qi (Note)	Interest of spouse	29 September 2009	2,400,000	1.07

Note: Ms. Zhao Man Qi, being the spouse of Mr. Yeung Hoi Shan, is deemed to be interested in these shares under the SFO.

Other than 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 as at 31 December 2013.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

During the year, the Company has not repurchased any of its own shares through the Stock Exchange.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 14.2% to the total sales for the year. The Group's five largest customers accounted for 44.6% of the Group's total turnover for the year.

The Group's largest supplier contributed 21.4% to the total purchases for the year. The Group's five largest suppliers accounted for 54.2% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest supplier or customers.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal control. The Audit Committee comprises the independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee ("NC") comprises of five directors including Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming, Alfred and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Cheung Sui Wing, Darius is the chairman of NC.

The primary function of the Nomination Committee is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference are available on the Company's website: www.tatchun.com and HKEX website.

DIRECTORS' REPORT

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises of five directors including Mr. Sung Lee Ming, Alfred, Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Sung Lee Ming, Alfred is the chairman of RC.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference are available on the Company's website: www.tatchun.com and The Stock Exchange of Hong Kong Limited("HKEX") website.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

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

DONATION

During the year, the Group made charitable and other donations amounting to HK$850,000.

AUDITOR

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

On behalf of the Board

Yeung Hoi Shan
Chairman

Hong Kong
31 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF TC ORIENT LIGHTING HOLDINGS LIMITED
達進東方照明控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TC Orient Lighting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 101, 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 our agreed terms of engagement, 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.

INDEPENDENT AUDITOR'S REPORT

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 the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 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)
Turnover	5	**676,207**	835,501
Cost of sales		**(816,405)**	(778,996)
Gross (loss) profit		**(140,198)**	56,505
Other income	6	**50,288**	57,269
Other gains and losses	7	**(87,226)**	(256,830)
Selling and distribution expenses		**(42,394)**	(42,164)
Administrative expenses		**(72,551)**	(78,639)
Finance costs	8	**(13,265)**	(14,791)
Loss before tax		**(305,346)**	(278,650)
Income tax expense	9	**(11,242)**	(2,657)
Loss for the year	10	**(316,588)**	(281,307)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss			
Surplus on revaluation of properties		**28,182**	18,731
Deferred tax liabilities arising from revaluation of properties		**(7,045)**	(4,683)
		21,137	14,048
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**3,268**	3,477
Other comprehensive income for the year		**24,405**	17,525
Total comprehensive expense for the year		**(292,183)**	(263,782)
Loss for the year attributable to:			
Owners of the Company		**(306,833)**	(233,074)
Non-controlling interests		**(9,755)**	(48,233)
		(316,588)	(281,307)
Total comprehensive expense attributable to:			
Owners of the Company		**(283,247)**	(216,678)
Non-controlling interests		**(8,936)**	(47,104)
		(292,183)	(263,782)
Loss per share	14		
Basic		**(HK$0.69)**	(HK$0.53)
Diluted		**(HK$0.69)**	(HK$0.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	309,946	337,197
Prepaid lease payments – non-current portion	17	20,074	36,342
Intangible assets	18	–	35,345
Interests in associates	19	2	2
Trade receivables with extended credit terms	21(a)	87,694	107,695
Deposits paid for acquisition of property, plant and equipment		2,748	2,918
		420,464	519,499
Current assets			
Inventories	20	64,588	140,417
Prepaid lease payments – current portion	17	615	941
Trade and other receivables	21(a)	442,922	508,079
Bills receivable	21(b)	1,750	3,756
Derivative financial instruments	22	–	297
Pledged bank deposits	23	34,707	45,123
Bank balances, deposits and cash	23	108,773	118,799
		653,355	817,412
Assets classified as held for sale	15	16,044	–
		669,399	817,412
Current liabilities			
Trade and other payables	24(a)	297,756	250,104
Bills payable	24(b)	139,360	105,899
Taxation payable		79,370	68,969
Bank borrowings – due within one year	25	138,442	183,238
Obligations under finance leases – due within one year	26	2,934	8,048
		657,862	616,258
Net current assets		11,537	201,154
Total assets less current liabilities		432,001	720,653
Non-current liabilities			
Obligations under finance leases – due after one year	26	920	4,968
Deferred tax liabilities	27	25,603	18,558
		26,523	23,526
Net assets		405,478	697,127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	28	**44,228**	44,248
Reserves		**348,373**	631,066
Equity attributable to owners of the Company		**392,601**	675,314
Non-controlling interests		**12,877**	21,813
Total equity		**405,478**	697,127

The consolidated financial statements on pages 35 to 101 were approved and authorised for issue by the Board of Directors on 31 March 2014 and are signed on its behalf by:

Yeung Hoi Shan	**Kwok Tung Fai**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 29)	Treasury share HK$'000	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 29)	Special reserve HK$'000 (note 29)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 29)	Exchange reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	44,188	437,579	450	(373)	47,647	14,711	1,156	19,707	1,893	10,700	322,541	900,199	68,917	969,116
Loss for the year	–	–	–	–	–	–	–	–	–	–	(233,074)	(233,074)	(48,233)	(281,307)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	–	2,348	–	2,348	1,129	3,477
Surplus on revaluation of properties	–	–	–	–	18,731	–	–	–	–	–	–	18,731	–	18,731
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(4,683)	–	–	–	–	–	–	(4,683)	–	(4,683)
Total comprehensive income (expense) for the year	–	–	–	–	14,048	–	–	–	–	2,348	(233,074)	(216,678)	(47,104)	(263,782)
Transfer	–	–	–	–	–	292	–	–	–	–	(292)	–	–	–
Issue of shares upon exercise of share options	60	816	–	–	–	–	–	(234)	–	–	–	642	–	642
Dividends paid	–	–	–	–	–	–	–	–	–	–	(8,849)	(8,849)	–	(8,849)
Release upon forfeiture of share options	–	–	–	–	–	–	–	(6,847)	–	–	6,847	–	–	–
Subtotal	60	816	–	–	–	292	–	(7,081)	–	–	(2,294)	(8,207)	–	(8,207)
At 31 December 2012 and 1 January 2013	44,248	438,395	450	(373)	61,695	15,003	1,156	12,626	1,893	13,048	87,173	675,314	21,813	697,127
Loss for the year	–	–	–	–	–	–	–	–	–	–	(306,833)	(306,833)	(9,755)	(316,588)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	–	2,449	–	2,449	819	3,268
Surplus on revaluation of properties	–	–	–	–	28,182	–	–	–	–	–	–	28,182	–	28,182
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(7,045)	–	–	–	–	–	–	(7,045)	–	(7,045)
Total comprehensive income (expense) for the year	–	–	–	–	21,137	–	–	–	–	2,449	(306,833)	(283,247)	(8,936)	(292,183)
Shares cancelled (note 28)	(20)	(353)	20	373	–	–	–	–	–	–	(20)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	534	–	–	–	534	–	534
Release upon forfeiture of share options	–	–	–	–	–	–	–	(771)	–	–	771	–	–	–
Subtotal	(20)	(353)	20	373	–	–	–	(237)	–	–	751	534	–	534
At 31 December 2013	44,228	438,042	470	–	82,832	15,003	1,156	12,389	1,893	15,497	(218,909)	392,601	12,877	405,478

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(305,346)**	(278,650)
Adjustments for:		
Amortisation of intangible assets	**7,542**	7,617
Depreciation of property, plant and equipment	**41,003**	60,132
Fair value changes on derivative financial instruments	**(77)**	(2,193)
Finance costs	**13,265**	14,791
Loss on disposal/written off of property, plant and equipment	**4,120**	751
Impairment loss recognised on property, plant and equipment	**23,472**	69,385
Impairment loss recognised on intangible assets	**28,686**	10,500
Written off/impairment loss recognised on trade and other receivables	**14,338**	170,283
Imputed interest on trade receivables with extended credit terms	**(8,865)**	(23,157)
Interest income	**(1,435)**	(5,949)
Release of prepaid lease payments	**950**	941
Reversal of impairment loss previously recognised for trade receivables	**(647)**	(1,440)
Share-based payment expenses	**534**	–
Operating cash flow before movements in working capital	**(182,460)**	23,011
Decrease (increase) in inventories	**75,829**	(13,500)
Decrease in trade and other receivables	**81,350**	59,192
Decrease in bills receivable	**2,006**	1,925
Changes in derivative financial instruments	**374**	982
Increase (decrease) in trade and other payables	**44,440**	(63,277)
Increase in bills payable	**33,461**	15,285
Cash from operations	**55,000**	23,618
PRC Enterprise Income Tax paid	**(841)**	(8,111)
NET CASH FROM OPERATING ACTIVITIES	**54,159**	15,507
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**128,070**	506,267
Interest received	**1,435**	5,949
Proceeds from disposal of property, plant and equipment	**1,459**	648
Placement of pledged bank deposits	**(116,369)**	(356,624)
Purchase of prepaid lease payments	**–**	(16,304)
Deposits paid for acquisition property, plant and equipment	**(2,748)**	(2,918)
Purchase of property, plant and equipment	**(11,465)**	(2,369)
NET CASH FROM INVESTING ACTIVITIES	**382**	134,649

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(183,238)	(607,997)
Interest paid	(13,265)	(14,791)
Repayment of obligations under finance leases	(9,162)	(9,957)
Dividends paid	–	(8,849)
Bank borrowings raised	138,442	413,833
Proceeds from issue of shares	–	642
NET CASH USED IN FINANCING ACTIVITIES	(67,223)	(227,119)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,682)	(76,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	118,799	194,260
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,656	1,502
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	108,773	118,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yeung Hoi Shan ("Mr. Yeung") is the ultimate controlling shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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.

The directors of the Company reviewed and assessed the application of these five standards in the current year and concluded that they have had no material effect on the amounts reported in these consolidated financial statements.

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, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 42 for details).

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 same 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).

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

HKFRS 13 FAIR VALUE MEASUREMENT *(Continued)*

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 16 and 32(c) for the 2013 disclosure). The application of HKFRS 13 has not had any material impact on the amounts recognised in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
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]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with early application permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the financial positions of the Group.

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for buildings and certain financial instruments that are measured at revalued amounts or fair values, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated 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.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

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

The 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 period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

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 the Group's accounting policies.

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

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

INVESTMENT IN AN ASSOCIATE

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

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

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

The requirements of 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. 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 disposal) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN AN ASSOCIATE *(Continued)*

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

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

When a group entity transacts with 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.

NON-CURRENT ASSETS HELD FOR SALE

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and value-added tax.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the prevailing rate for a similar instrument of an issuer with a similar credit rating. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

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 the asset's net carrying amount on initial recognition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases), excluding buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

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 their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is recognised so as to write off the cost or revaluated amount of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and borrowing costs capitalised for qualifying assets in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category 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.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives, and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INTANGIBLE ASSETS *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives 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 ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 or issue 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 into fair value through profit or loss ("FVTPL") and loans and receivables. 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 financial asset 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 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 asset, 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 at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

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, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables 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, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

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

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 average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss of the loans and receivables is the difference between the loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly 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 loans and receivables (Continued)

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 loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchases of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 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 other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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.

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.

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

Share options granted to directors, employees and others providing similar services rendered by employees

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 share option reserve.

When the 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 accumulated profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 'loss 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 associate, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profit 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.

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 rate (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.

Current and deferred tax is recognised in profit or loss, except when it relates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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. HK$) 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 exchange reserve (attributed to non-controlling interests as appropriate).

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.

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Determining whether an impairment loss is recognised requires an estimate of the recoverable amount of the relevant assets or the CGUs to which the assets belong. The management considers that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use which is higher than its fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are more or less than expected or changes in facts and circumstances which result in revision in future estimated cash flows, a material impairment loss or reversal of impairment loss may arise.

As at 31 December 2013, the carrying amounts of property, plant and equipment and intangible assets, respectively, are HK$309,946,000 (2012: HK$337,197,000) and zero (2012: HK$35,345,000), net of impairment losses of HK$23,472,000 (2012: HK$69,385,000) and HK$28,686,000 (2012: HK$10,500,000), respectively. Details are disclosed in notes 16 and 18, respectively.

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 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 amount of trade receivables is HK$489,496,000 (2012: HK$573,451,000) of which HK$257,841,000 (2012: HK$282,404,000) is trade receivables with extended credit terms. The total allowance for doubtful debts is HK$12,338,000 (2012: HK$17,065,000). Details of movements of allowance for trade receivables are disclosed in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. REVENUE

	2013 HK$'000	2012 HK$'000
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	600,420	703,051
Sales of light emitting diode ("LED") lighting	75,787	132,450
	676,207	835,501

6. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	1,435	5,949
Imputed interest on trade receivables with extended credit terms	8,865	23,157
Rental income	–	133
Sales of scrap materials	36,609	22,380
Government grants (note)	1,786	4,693
Others	1,593	957
	50,288	57,269

Note: Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Net foreign exchange loss	**(12,324)**	(9,632)
Impairment loss recognised on trade and other receivables	**(1,434)**	(6,118)
Amounts written off as uncollectible trade receivables with extended credit terms	**(12,904)**	(164,165)
Impairment loss recognised on intangible assets	**(28,686)**	(10,500)
Impairment loss in respect of property, plant and equipment	**(23,472)**	(69,385)
Fair value changes on derivative financial instruments	**77**	2,193
Reversal of impairment loss previously recognised on trade receivables	**647**	1,440
Loss on disposal/written off of property, plant and equipment	**(4,120)**	(751)
Compensation charges	**(4,101)**	–
Others	**(909)**	88
	(87,226)	(256,830)

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**12,913**	14,043
– obligations under finance leases	**352**	748
	13,265	14,791

9. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**11,242**	5,303
Deferred tax (note 27)	**–**	(2,646)
	11,242	2,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. INCOME TAX EXPENSE *(Continued)*

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

No provision for Hong Kong Profits Tax is made since there is no assessable profit for both years.

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

Pursuant to the relevant laws and regulations in the PRC, Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun"), a wholly owned subsidiary of the Company, is entitled to an exemption from the PRC EIT for the first two years commencing from its first profit-making year of operation, and thereafter, it will be entitled to a 50% relief from the PRC EIT for the following three years ("Tax Holiday"). Under the EIT Law, the reduced tax rate for the 50% relief from the PRC EIT is 12.5%. After the expiry of the tax relief period, Guangdong Tat Chun is subject to an income tax rate of 25%. The first profit-making year of operation of Guangdong Tat Chun was 2008 and its tax rate of the PRC EIT was 12.5% for the year ended 31 December 2012.

EIT arises from the taxable profit from certain PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, 達進東方照明（深圳）有限公司 is granted as High-Technology Enterprise and will be entitled to a favourable tax rate of 15% for the years from 2013 to 2015.

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

	2013 HK$'000	2012 HK$'000
Loss before tax	**(305,346)**	(278,650)
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**(76,337)**	(69,663)
Tax effect of expenses not deductible for tax purpose	**33,155**	4,668
Tax effect of income not taxable for tax purpose	**(486)**	(458)
Tax effect of tax losses not recognised	**30,198**	8,214
Tax effect of deductible temporary differences not recognised	**24,712**	59,896
Income tax expense	**11,242**	2,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	137,606	127,201
Share-based payments	534	–
Retirement benefit schemes contributions	8,482	7,183
Total employee expenses	146,622	134,384
Auditor's remuneration	1,600	1,600
Amortisation of intangible assets (included in cost of sales)	7,542	7,617
Cost of inventories recognised as an expense	816,405	778,996
Depreciation of property, plant and equipment	41,003	60,132
Research and development costs recognised as an expense	3,590	4,070
Release of prepaid lease payments	950	941

11. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

2013

	Mr. Yeung HK$'000	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Wong Siu Fai, Albert HK$'000	Sung Lee Ming, Alfred HK$'000	Fong Ping HK$'000	Kwok Tung Fai HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	93	93	120	120	120	120	–	666
– Salaries and other benefits	3,442	1,253	–	–	–	–	–	–	1,974	6,669
– Share-based payments	–	454	–	–	40	40	–	–	–	534
– Performance related incentive payment (note a)	1,909	–	–	–	–	–	–	–	–	1,909
– Retirement benefit scheme contributions	15	47	–	–	–	–	–	–	15	77
Total emoluments	5,366	1,754	93	93	160	160	120	120	1,989	9,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. DIRECTORS' EMOLUMENTS *(Continued)*

2012

	Mr. Yeung HK$'000	Pak Shek Kuen HK$'000 (note b)	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Ho Man Kay HK$'000 (note c)	Wong Siu Fai, Albert HK$'000	Sung Lee Ming, Alfred HK$'000 (note d)	Fong Ping HK$'000 (note e)	Kwok Tung Fai HK$'000 (note f)	Total HK$'000
Directors' emoluments:												
– Fees	–	–	–	93	93	113	20	113	90	65	–	587
– Salaries and other benefits	3,974	606	1,124	–	–	–	–	–	–	–	960	6,664
– Performance related incentive payment (note a)	–	–	97	–	–	–	–	–	–	–	–	97
– Retirement benefit scheme contributions	14	4	47	–	–	–	–	–	–	–	10	75
Total emoluments	3,988	610	1,268	93	93	113	20	113	90	65	970	7,423

Notes:

(a) The performance related incentive payment was determined based on individual performance.

(b) Mr. Pak Shek Kuen resigned as an executive director on 18 April 2012.

(c) Ms. Ho Man Kay resigned as an independent non-executive director on 22 February 2012.

(d) Mr. Sung Lee Ming, Alfred was appointed as an independent non-executive director on 1 April 2012.

(e) Mr. Fong Ping was appointed as an independent non-executive director on 15 June 2012.

(f) Mr. Kwok Tung Fai was appointed as an executive director on 1 April 2012.

No chief-executive officer is appointed by the Company and the day-to-day management of the Group is led by Mr. Yeung, the Chairman of the Board.

None of the director has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2012: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	957	2,826
Performance related incentive payment	139	–
Retirement benefit schemes contributions	15	28
	1,111	2,854

	2013	2012
Their emoluments were within the following bands:		
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$2,000,000	–	1
	2	2

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2011 Final dividend of HK2.0 cents per share	–	8,849

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year attributable to the owners of the Company	(306,833)	(233,074)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	442,383,529	442,254,214

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the exercise of the Company's share option would result in a decrease in loss per share.

15. ASSETS CLASSIFIED AS HELD FOR SALE THROUGH DISPOSAL OF A SUBSIDIARY

In March 2013, TC (BVI) Limited (a wholly-owned subsidiary of the Company), entered into an agreement with an independent third party in which the independent third party would inject not less than RMB20,000,000 as construction costs to acquire 70% equity interest of 達進東方(江蘇)光電有限公司("TC Orient (JS)") (a wholly-owned subsidiary of TC (BVI) Limited). TC Orient (JS) owns a land with carrying value of HK$16,044,000 which is held under medium lease terms and is situated in the PRC at the end of the reporting period. The transaction has not yet been completed at the end of the reporting period and control has not yet been passed to the buyer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2012	2,025	159,133	440,495	4,197	9,939	10,993	111,758	738,540
Additions	166	–	1,927	334	2,071	180	1,554	6,232
Disposals/written off	(417)	–	(135)	(5)	(1,389)	(30)	(721)	(2,697)
Surplus on revaluation	–	14,432	–	–	–	–	–	14,432
At 31 December 2012 and 1 January 2013	1,774	173,565	442,287	4,526	10,621	11,143	112,591	756,507
Exchange adjustments	4	–	140	19	19	22	100	304
Additions	3,107	–	7,721	67	691	454	2,343	14,383
Transfers	(1,608)	–	257	–	–	–	1,351	–
Disposals/written off	–	–	(956)	(2,272)	(3,523)	(3,100)	(31,088)	(40,939)
Surplus on revaluation	–	23,321	–	–	–	–	–	23,321
At 31 December 2013	3,277	196,886	449,449	2,340	7,808	8,519	85,297	753,576
Comprising:								
At cost	3,277	–	449,449	2,340	7,808	8,519	85,297	556,690
At valuation – 2013	–	196,886	–	–	–	–	–	196,886
	3,277	196,886	449,449	2,340	7,808	8,519	85,297	753,576
DEPRECIATION AND IMPAIRMENT								
At 1 January 2012	–	–	225,673	2,881	4,510	8,337	53,989	295,390
Provided for the year	–	4,299	41,248	530	1,499	1,155	11,401	60,132
Disposals/written off	–	–	(117)	(1)	(795)	(5)	(380)	(1,298)
Elimination on revaluation	–	(4,299)	–	–	–	–	–	(4,299)
Impairment loss recognised in profit or loss	–	–	54,043	–	–	–	15,342	69,385
At 31 December 2012 and 1 January 2013	–	–	320,847	3,410	5,214	9,487	80,352	419,310
Exchange adjustments	–	–	46	4	3	6	7	66
Provided for the year	–	4,861	26,536	432	1,136	714	7,324	41,003
Disposals/written off	–	–	(808)	(2,115)	(1,790)	(2,666)	(27,981)	(35,360)
Elimination on revaluation	–	(4,861)	–	–	–	–	–	(4,861)
Impairment loss recognised in profit or loss	–	–	18,778	–	–	–	4,694	23,472
At 31 December 2013	–	–	365,399	1,731	4,563	7,541	64,396	443,630
CARRYING VALUES								
At 31 December 2013	3,277	196,886	84,050	609	3,245	978	20,901	309,946
At 31 December 2012	1,774	173,565	121,440	1,116	5,407	1,656	32,239	337,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 method at the following rates per annum:

Buildings	Over the remaining term of the leases
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress shown above are situated in the PRC under medium-term leases.

During the year, in light of the decline of market price and the increase in cost of production, and the consolidation of production facilities, which result in operating losses incurred by certain subsidiaries, the directors conducted an impairment review by comparing the carrying amounts and recoverable amounts of the relevant assets. If it is not possible to estimate the recoverable amount of the property, plant and machinery individually, the management determines the recoverable amounts of the CGUs to which the property, plant and machinery belong. For the purpose of the impairment test, the directors considered the plants for the manufacturing of Single-sided PCB, Double-sided PCB and Multi-layered PCB as separate CGUs. The recoverable amounts of the respective CGUs were determined on the basis of their value in use, which is higher than the fair value less costs to sell. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management expectations for the market development. The discount rate in measuring the amounts of value in use was 12% (2012: 18%) for the respective CGUs. Impairment losses on plant and machinery of HK$2,664,000 (2012: HK$14,130,000), HK$8,731,000 (2012: HK$21,475,000) and HK$7,383,000 (2012: HK$18,438,000) have been recognised in respect of the three CGUs of Single-sided PCB, Double-sided PCB and Multi-layered PCB, respectively; while impairment losses on leasehold improvements of HK$666,000 (2012: HK$3,986,000), HK$2,183,000 (2012: HK$6,057,000) and HK$1,845,000 (2012: HK$5,299,000) have been recognised in respect of the three CGUs of Single-sided PCB, Double-sided PCB and Multi-layered PCB, respectively.

At 31 December 2013, the buildings of the Group were valued by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers.

The fair value of the buildings was determined based on the depreciated replacement cost approach. The value of the buildings is based on the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. There has been no change from the valuation technique used in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

	2013 HK$'000	2012 HK$'000
As at 1 January	173,565	159,133
Surplus on revaluation	23,321	14,432
As at 31 December	196,886	173,565

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

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$95,793,000 (2012: HK$98,156,000).

As at 31 December 2013, the carrying values of the Group's plant and machinery and motor vehicles include amounts of HK$14,103,000 and HK$1,684,000 (2012: HK$24,597,000 and HK$3,813,000), respectively, in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$196,886,000 (2012: HK$173,565,000) and HK$2,242,000 (2012: HK$8,965,000), respectively, to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2013 HK$'000	2012 HK$'000
Land use rights in the PRC under medium-term leases	20,689	37,283
Analysed for reporting purposes as:		
Non-current assets	20,074	36,342
Current assets	615	941
	20,689	37,283

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight-line basis.

The Group has pledged the land use rights of carrying amount of HK$20,689,000 (2012: HK$21,305,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2012 and 31 December 2012	62,750
Exchange adjustments	1,568
At 31 December 2013	64,318
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	9,288
Charge for the year	7,617
Impairment loss recognised during the year	10,500
At 31 December 2012 and 1 January 2013	27,405
Exchange adjustments	685
Charge for the year	7,542
Impairment loss recognised during the year	28,686
At 31 December 2013	64,318
CARRYING VALUES	
At 31 December 2013	–
At 31 December 2012	35,345

The intangible assets of the Group represent the licenses of LED – related products for the production of LED lighting. Such intangible assets have finite useful life and are amortised on a straight-line basis over the license periods of the respective assets, which are ranged from 6 to 10 years from the date of acquisition.

During the year, in light of the continuous decline of market price and the increase in cost of production, and the substantial decrease in sales under extended credit terms, which result in operating loss incurred by the subsidiaries, the directors conducted an impairment review by comparing the carrying amount and recoverable amount of the intangible assets. If it is not possible to estimate the recoverable amount of the intangible assets individually, the management determines the recoverable amount of the CGU to which the intangible assets belong. For the purpose of the impairment test, the directors considered the subsidiaries which held the intangible assets for the manufacturing of LED lighting as a CGU. The recoverable amount would be determined on the basis of the CGU's value in use, which is higher than the fair value less costs to sell. Accordingly, impairment loss of HK$28,686,000 (2012: HK$10,500,000) has been recognised in respect of the intangible assets. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management expectations for the market development. The discount rate in measuring the amounts of value in use was 12% (2012: 18%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. INTERESTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Cost of unlisted investments in associates	**2**	2

As the directors considered that the associates of the Group are immaterial, the summarised financial information and the share of results of the associates are not disclosed.

Particulars of the Group's associates at the end of the reporting period are set out below.

Name of associate	**Place of incorporation/ operation**	**Proportion of ownership interest held by the Group directly**		**Principal activity**
		2013	2012	
Jolly Pearl Enterprises Limited 朝珍企業有限公司	The British Virgin Islands	**30%**	30%	Inactive
Best Pursue Holdings Limited	The British Virgin Islands	**30%**	–	Inactive

20. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**20,595**	56,490
Work in progress	**12,098**	28,977
Finished goods	**31,895**	54,950
	64,588	140,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables with normal credit terms (note i)	**243,993**	308,112
Less: Allowance for doubtful debts	**(12,338)**	(17,065)
	231,655	291,047
Trade receivables with extended credit terms (note ii)	**257,841**	282,404
Total trade receivables, net of allowance for doubtful debts	**489,496**	573,451
Less: Non-current portion of trade receivables with extended credit terms	**(87,694)**	(107,695)
Current portion of trade receivables	**401,802**	465,756
Advances to suppliers	**14,617**	8,302
Value-added tax recoverable	**12,069**	17,388
	26,686	25,690
Other receivables (note iii)	**16,720**	17,674
Less: Allowance for doubtful debts	**(2,286)**	(1,041)
	14,434	16,633
Amounts shown under current assets	**442,922**	508,079

The Group generally allows an average credit period of 30 days to 180 days to its trade customers with normal credit terms and credit period ranging from one year to ten years to its trade customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

	Extended credit terms		Normal credit terms		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
0 – 30 days	**–**	19,309	**58,430**	67,452	**58,430**	86,761
31 – 60 days	**–**	–	**56,803**	64,414	**56,803**	64,414
61 – 90 days	**–**	–	**31,915**	46,936	**31,915**	46,936
91 – 180 days	**7,800**	56,637	**75,965**	97,755	**83,765**	154,392
Over 180 days	**250,041**	206,458	**8,542**	14,490	**258,583**	220,948
	257,841	282,404	**231,655**	291,047	**489,496**	573,451

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**17,065**	15,342
Impairment loss recognised on receivables	**189**	5,077
Amounts written off as uncollectible	**(4,269)**	(1,914)
Impairment loss reversed	**(647)**	(1,440)
Balance at end of the year	**12,338**	17,065

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$12,338,000 (2012: HK$17,065,000). The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

i. TRADE RECEIVABLES WITH NORMAL CREDIT TERMS

Before accepting any new customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 68% (2012: 78%) of the trade receivables with normal credit terms that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with normal credit terms are debtors with an aggregate carrying amount of HK$73,069,000 (2012: HK$64,410,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had continuous repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables with normal credit terms which are past due but not impaired based on invoice date

	2013 HK$'000	2012 HK$'000
0 – 30 days	273	–
31 – 60 days	2,720	56,435
61 – 90 days	17,333	2,171
91 – 180 days	45,497	1,375
Over 180 days	7,246	4,429
Total	73,069	64,410

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

ii. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2013, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$257,841,000 (2012: HK$282,404,000) resulting from the sales of LED lighting products to external customers ("LED Receivables") which will mostly be settled by instalments ranging from one to ten years pursuant to the supply contracts. The fair value of the considerations recognised is determined using an imputed rate of interest.

At the end of the reporting period, the Group has LED Receivables which fall due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**170,147**	174,709
In the second to fifth year inclusive	**87,694**	107,695
	257,841	282,404

Included in the trade receivables with extended credit terms are balances of HK$167,677,000 (2012: HK$106,801,000) receivable from certain government authorities in the PRC.

Before accepting any new customer and entering into supply contract with a customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 76% (2012: 83%) of the net trade receivables with extended credit terms that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with extended credit terms are debtors with an aggregate carrying amount of HK$62,349,000 (2012: HK$48,942,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables with extended credit terms which are past due but not impaired based on invoice date

	2013 HK$'000	2012 HK$'000
0 – 30 days	**–**	12,389
31 – 60 days	**250**	–
61 – 90 days	**290**	–
91 – 180 days	**4,736**	10,450
Over 180 days	**57,073**	26,103
Total	**62,349**	48,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

iii. Included in the Group's other receivables is an amount of HK$4,716,000 licensing income receivable (2012: HK$4,548,000) from Orient Opto-Semiconductors Corp. ("Dongfang"), a non-controlling interest of a PRC subsidiary of the Company and controlled by a director of the Company, Mr. Zhu Jianqin.

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	1,041	–
Impairment loss recognised on receivables	1,245	1,041
Balance at end of the year	2,286	1,041

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$2,286,000 (2012: HK$1,041,000) receivable from debtors which have either been placed under liquidation or in severe difficulties.

(b) The following is an aged analysis of bills receivables based on issue date of the bills at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 – 30 days	1,750	1,341
91 – 180 days	–	2,415
	1,750	3,756

The trade, bills and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 HK$'000	2012 HK$'000
United States dollars ("US$")	131,846	246,489
Renminbi ("RMB")	96,564	36,656
	228,410	283,145

At the end of the reporting period, the Group has pledged trade receivables having carrying amounts of HK$15,417,000 (2012: HK$21,121,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 HK$'000	2012 HK$'000
Foreign currency derivatives:		
Currency structured forward contract	–	297

During the year ended 31 December 2012, the Group entered into a net settled US$/RMB structured forward contract which gives the Group the opportunities to receive variable US$ per month if the market exchange rate is at or below RMB6.55/US$ or RMB6.40/US$ on a specific valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate is above RMB6.55/US$ or RMB6.40/US$ on a specific valuation date. The contract is also subject to knockout under which the contract will terminate if the number of times that the market exchange rate is at or below RMB6.55/US$ or RMB6.40/US$ on a specific valuation date exceeds a specific number of times. As of 31 December 2012, the aggregate notional amounts of the outstanding currency structured forward contract was US$45,000,000 covering monthly settlement up to June 2014. The contract terminated during the year due to the trigger of "knock-out" event.

The Group's derivative financial instruments are denominated in US dollars, other than the functional currency of the respective group entities.

23. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2013, the pledged bank deposits comprise deposits for the issue of bills payable of HK$34,707,000 (2012: HK$21,953,000) and deposits of zero (2012: HK$23,170,000) for short-term bank borrowings. The pledged bank deposits are classified as current assets because the bills payable and bank borrowings being secured are due within one year.

Pledged bank deposits and bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.01% to 3.05% (2012: 0.02% to 3.50%) per annum.

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

	2013 HK$'000	2012 HK$'000
US$	75,388	71,390
RMB	42,140	58,554
HK$	231	167
	117,759	130,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

24. TRADE, BILLS AND OTHER PAYABLES

(a) TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
0 – 30 days	42,161	44,501
31 – 60 days	34,781	33,550
61 – 90 days	51,514	22,638
91 – 180 days	60,297	41,294
Over 180 days	26,628	38,592
	215,381	180,575
Other payables	62,838	51,230
Accrued salaries and other accrued charges	19,537	18,299
	297,756	250,104

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	2013 HK$'000	2012 HK$'000
0 – 30 days	18,877	23,677
31 – 60 days	24,210	22,821
61 – 90 days	49,627	9,817
91 – 180 days	46,646	49,584
	139,360	105,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

24. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(b) BILLS PAYABLE *(Continued)*

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 HK$'000	2012 HK$'000
US$	18,722	62,598
RMB	304,706	197,033
	323,428	259,631

25. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank loans	32,480	139,585
Trust receipt loans	105,962	43,653
	138,442	183,238
Analysed as:		
Secured	138,442	135,457
Unsecured	–	47,781
	138,442	183,238
Fixed-rate borrowings	128,730	104,585
Variable-rate borrowings	9,712	78,653
	138,442	183,238
Carrying amounts repayable within one year based on scheduled repayment dates set out in the loan agreements	138,442	181,679
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	1,559
	138,442	183,238
Less: Amounts due within one year shown under current liabilities	(138,442)	(183,238)
Amounts shown under non-current liabilities	–	–

The bank borrowings were secured by assets of the Group as disclosed in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. BANK BORROWINGS *(Continued)*

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 **HK$'000**	2012 HK$'000
US$	**22,192**	64,093
RMB	**116,250**	73,171
	138,442	137,264

The contractual interest rates of variable-rate bank loans are Hong Kong Interbank Offered Rate ("HIBOR") plus 1.29% to 4% (2012: HIBOR plus 1.75% to 4%) per annum. Interest is repriced every year.

The ranges of interest rates on the Group's borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**2.16% to 7.20%**	2.16% to 7.20%
Variable-rate borrowings	**2.24% to 4.87%**	1.78% to 6.02%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts payable under finance leases:				
Within one year	**3,039**	8,332	**2,934**	8,048
In the second year	**436**	3,545	**396**	3,431
In the third year	**329**	943	**299**	894
In the fourth year	**252**	455	**225**	423
In the fifth year	**–**	252	**–**	220
	4,056	13,527	**3,854**	13,016
Less: Future finance charges	**(202)**	(511)	**–**	–
Present value of lease obligations	**3,854**	13,016	**3,854**	13,016
Less: Amount due within one year shown under current liabilities			**(2,934)**	(8,048)
Amount due after one year			**920**	4,968

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates for the year are ranged from 1.63% to 5.13% (2012: from 1.63% to 5.13%) per annum and the average effective interest rate was 4.17% (2012: 4.29%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company and subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

27. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**2,646**	2,646
Deferred tax liabilities	**(28,249)**	(21,204)
	(25,603)	(18,558)

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

	Revaluation of properties HK$'000	**Undistributable profits of PRC subsidiaries** HK$'000	**Impairment loss in respect of property, plant and equipment** HK$'000	**Total** HK$'000
At 1 January 2012	(16,121)	(400)	–	(16,521)
Credit to profit or loss	–	–	2,646	2,646
Charge to other comprehensive income	(4,683)	–	–	(4,683)
At 31 December 2012 and 1 January 2013	(20,804)	(400)	2,646	(18,558)
Charge to other comprehensive income	(7,045)	–	–	(7,045)
At 31 December 2013	(27,849)	(400)	2,646	(25,603)

At 31 December 2013, the Group has unused tax losses of HK$205,919,000 (2012: HK$85,127,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$349,016,000 (2012: HK$250,168,000). The deductible temporary differences arise due to impairment loss in respect of property, plant and equipment, intangible assets and trade receivables. No deferred tax asset has been recognised in relation to deductible temporary differences of HK$338,432,000 (2012: HK$239,584,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

27. DEFERRED TAXATION *(Continued)*

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$2,116,000 (2012: HK$121,361,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2012	441,883,803	44,188
Exercise of share options	600,000	60
At 31 December 2012	442,483,803	44,248
Shares cancelled (note)	(200,000)	(20)
At 31 December 2013	442,283,803	44,228

Note: The Company cancelled the shares which were bought back in previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

29. RESERVES

(a) PRC STATUTORY RESERVE

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(b) SPECIAL RESERVE

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

(d) CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

30. SHARE OPTION SCHEME

On 5 June 2006, the share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (such 10% limit representing 43,777,580 shares and options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. SHARE OPTION SCHEME *(Continued)*

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses the details of the Company's share options and movements for both years:

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2012 '000	Reclassification during the year '000 (Note 5)	Exercised during the year '000 (Note 6)	Forfeited during the year '000	Outstanding at 31 December 2012 '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2013 '000
Directors	29 September 2009	(Note 1)	1.07	4,880	–	–	(880)	4,000	–	–	4,000
	14 July 2010	(Note 2)	1.50	480	240	–	(140)	580	–	–	580
	29 September 2010	(Note 2)	2.62	1,000	–	–	(1,000)	–	–	–	–
	2 September 2011	(Note 3)	2.11	15,500	500	–	(13,300)	2,700	–	–	2,700
Subtotal				21,860	740	–	(15,320)	7,280	–	–	7,280
Consultants	29 September 2009	(Note 1)	1.07	1,900	–	(600)	–	1,300	–	(100)	1,200
	29 September 2010	(Note 2)	2.62	2,000	–	–	–	2,000	–	–	2,000
	11 October 2010	(Note 2)	2.70	400	–	–	–	400	–	–	400
	29 November 2010	(Note 2)	3.39	1,300	–	–	–	1,300	–	–	1,300
	26 April 2011	(Note 4)	3.13	3,000	–	–	(3,000)	–	–	–	–
	2 September 2011	(Note 3)	2.11	9,000	–	–	(9,000)	–	–	–	–
Subtotal				17,600	–	(600)	(12,000)	5,000	–	(100)	4,900
Employees	29 September 2009	(Note 1)	1.07	2,568	–	–	(396)	2,172	–	(1,106)	1,066
	14 July 2010	(Note 2)	1.50	2,038	(240)	–	(810)	988	–	(910)	78
	29 September 2010	(Note 2)	2.62	300	–	–	–	300	–	(300)	–
	2 September 2011	(Note 3)	2.11	5,500	(500)	–	–	5,000	–	(2,100)	2,900
Subtotal				10,406	(740)	–	(1,206)	8,460	–	(4,416)	4,044
Total				49,866	–	(600)	(28,526)	20,740	–	(4,516)	16,224
Exercisable at the end of the year				14,362				14,965			13,424
Weighted average exercise price				HK$2.02	N/A	HK$1.07	HK$2.17	HK$1.84	N/A	HK$1.74	HK$1.86

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. SHARE OPTION SCHEME *(Continued)*

Note 1: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

Note 4: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; (iii) all the remaining options are exercisable two years after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 5: During the year ended 31 December 2012, Mr. Kwok Tung Fai, a financial controller of the Group, was appointed as an executive director of the Company and 740,000 share options held by him was reclassified from employee to director.

Note 6: The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$1.07 for the year ended 31 December 2012.

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2013 HK$'000	2012 HK$'000
Directors' emoluments	534	–

31. 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 debt, which includes the borrowings disclosed in note 25, and equity attributable to owners of the Company as disclosed in the consolidated statement of changes in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

32. FINANCIAL INSTRUMENTS

a. CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 HK$'000	2012 HK$'000
Financial assets		
Derivative financial instruments	–	297
Loans and receivables (including cash and cash equivalents)	649,160	757,762
Financial liabilities		
Amortised cost	505,064	481,863

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, derivative financial instruments, pledged bank deposits, bank balances, deposits and cash, trade and other payables, bills payable and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. In order to mitigate the currency risk, the Group has entered into forward currency contracts to partially hedge US$ and HK$ against RMB. Details of the contracts are set out in note 22. The Group continually reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2013 HK$'000	2012 HK$'000
Assets		
US$	207,234	318,176
RMB	138,704	95,210
HK$	231	167
Liabilities		
US$	40,914	126,691
RMB	420,956	270,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 2% (2012: 2%) against RMB, the Group's loss for the year ended 31 December 2013 would increase by HK$4,234,000 (2012: HK$2,625,000). If the HK$ strengthened by 2% (2012: 2%) against RMB, there would be an equal and opposite impact on the loss for the year. No sensitivity analysis for HK$ against RMB is presented as management considered that it is not significant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

At 31 December 2012, for the outstanding currency structured forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% higher/lower, loss for the year ended 31 December 2012 would increase/decrease by HK$1,445,000/HK$4,831,000.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligations under finance leases (see notes 25 and 26 for details of these borrowings and leases).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 23 for details) and its variable-rate bank borrowings (see note 25 for details of these borrowings). The Group currently does not have any interest rate hedging policy. Management will also consider hedging significant interest rate exposure should the needs arise.

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 HIBOR arising from the Group's borrowings.

Sensitivity analysis

Since bank balances and deposits are in short maturity date, the Group does not expect any significant impact due to movement in interest rates and the balances are excluded from the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 120 basis point (2012: 120 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

32. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(ii) *Interest rate risk (Continued)*

Sensitivity analysis (Continued)

For the variable-rate bank borrowings, if interest rates had been 120 basis points (2012: 120 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2013 would increase/decrease by approximately HK$87,000 (2012: HK$708,000).

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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronics industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 42% (2012: 47%) of the trade receivables with normal credit terms and the largest trade receivable attributable to the Group's trade receivables with normal credit terms was approximately 19% (2012: 17%). The major customers are located in Hong Kong ("HK") and the PRC and are mainly engaged in the manufacturing and trading of consumer electronics. The five largest customers under normal credit terms have continuous repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group also has concentration of credit risk on certain major customers of the LED lighting industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 54% (2012: 51%) of the trade receivables with extended credit terms and the largest trade receivable attributable to the Group's trade receivables with extended credit terms was approximately 19% (2012: 24%). The major customers are located in the PRC including certain government authorities in the PRC and corporations which are mainly engaged in the construction industry. The trade receivables from certain government authorities in the PRC accounted for approximately 65% (2012: 38%) of the trade receivables with extended credit terms.

In order to minimise the credit risk, 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 each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group's trade receivables with extended credit terms is limited because the counterparties are certain government authorities in the PRC or corporations having no default payment history.

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current assets of HK$11,537,000 as at 31 December 2013 (2012: HK$201,154,000). The Group has sufficient funds to finance its current working capital requirements taking into account the existing banking facilities and cash flows from operations.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has 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 table includes both principal and interest cash outflows. 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.

	Weighted average effective interest rate	On demand	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013								
Non-derivative financial liabilities								
Trade and other payables	–	–	227,262	–	–	–	227,262	227,262
Bills payable	–	–	139,360	–	–	–	139,360	139,360
Obligations under finance leases	4.17	–	3,039	436	329	252	4,056	3,854
Bank and other borrowings								
– fixed rate	4.30	–	134,271	–	–	–	134,271	128,730
– variable rate	2.31	–	9,936	–	–	–	9,936	9,712
		–	513,868	436	329	252	514,885	508,918
2012								
Non-derivative financial liabilities								
Trade and other payables	–	–	192,726	–	–	–	192,726	192,726
Bills payable	–	–	105,899	–	–	–	105,899	105,899
Obligations under finance leases	4.29	–	8,332	3,545	943	707	13,527	13,016
Bank and other borrowings								
– fixed rate	5.21	1,559	108,600	–	–	–	110,159	104,585
– variable rate	4.80	–	82,428	–	–	–	82,428	78,653
		1,559	497,985	3,545	943	707	504,739	494,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. 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" time band in the above maturity analysis. As at 31 December 2012, the aggregate carrying amounts of these bank loans amounted to HK$1,559,000. 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 the aggregate principal of such bank loans and interest will be repayable in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	2013 HK$'000	2012 HK$'000
In the second year	–	1,586

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

c. FAIR VALUE

Fair value measurements of financial instruments

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

There was an early termination of the currency structured forward contracts existing as at 31 December 2012 due to the trigger of "knock-out" event. No derivative financial instrument was held by the Group as at 31 December 2013.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, no major non-cash transactions were entered by the Group.

During the year ended 31 December 2012, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,120,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. OPERATING LEASES

OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2013 HK$'000	2012 HK$'000
Premises	4,088	3,525

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

	2013 HK$'000	2012 HK$'000
Within one year	2,872	2,406
In the second to fifth year inclusive	3,588	4,337
	6,460	6,743

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from two to five years with fixed rental.

The Group as lessor

During the year ended 31 December 2013, the Group did not earn any property rental income (2012: HK$133,000).

35. CAPITAL COMMITMENT

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,598	2,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

36. PLEDGE OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2013 HK$'000	2012 HK$'000
Buildings	196,886	173,565
Plant and machinery	2,242	8,965
Pledged bank deposits	34,707	45,123
Prepaid lease payments	20,689	21,305
Trade receivables	15,417	21,121
	269,941	270,079

In addition, as at 31 December 2013, the carrying amounts of the Group's plant and machinery and motor vehicles include amounts of HK$14,103,000 and HK$1,684,000 (2012: HK$24,597,000 and HK$3,813,000), respectively, in respect of assets held under finance leases which are secured by the lessor's charge over the leased assets.

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,000 per month (HK$1,250 since 1 June 2012). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the specific contributions under the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

38. RELATED PARTY DISCLOSURES

(i) RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of key management for the Group (representing directors) during the year are set out as follows:

	2013 HK$'000	2012 HK$'000
Short-term benefits	9,244	7,348
Post-employment benefits	77	75
Share-based payments	534	–
	9,855	7,423

(ii) RELATED PARTY BALANCES

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in note 21 (a)(iii).

39. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker for making strategic decisions. The Group is engaged in the manufacturing and trading of PCB and LED lighting and the information reported to the chief operating decision maker was analysed based on the three types of PCB and LED lighting which represent the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("Single-sided PCB")
- Manufacturing and trading of Double-sided PCB ("Double-sided PCB")
- Manufacturing and trading of Multi-layered PCB ("Multi-layered PCB")
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND RESULTS

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	2013 HK$'000	2012 HK$'000
TURNOVER – external sales		
Single-sided PCB	**182,975**	183,591
Double-sided PCB	**216,325**	278,954
Multi-layered PCB	**201,120**	240,506
LED lighting	**75,787**	132,450
Total	**676,207**	835,501
RESULTS		
Segment losses		
– Single-sided PCB	**(31,757)**	(36,527)
– Double-sided PCB	**(84,837)**	(31,203)
– Multi-layered PCB	**(118,873)**	(15,843)
– LED lighting	**(56,162)**	(180,592)
	(291,629)	(264,165)
Other income	**3,028**	6,906
Central administrative costs	**(3,557)**	(8,793)
Fair value changes on derivative financial instruments	**77**	2,193
Finance costs	**(13,265)**	(14,791)
Loss before tax	**(305,346)**	(278,650)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose), fair value changes on derivative financial instruments and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. SEGMENTAL INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment results:

	2013 HK$'000	2012 HK$'000
Depreciation and amortisation		
– Single-sided PCB	11,699	14,701
– Double-sided PCB	13,831	22,336
– Multi-layered PCB	12,859	19,258
– LED lighting	9,149	8,748
	47,538	65,043
– unallocated	1,957	3,647
	49,495	68,690
Net written off/impairment loss recognised (reversed) in respect of trade and other receivables		
– Single-sided PCB	(139)	950
– Double-sided PCB	(164)	1,443
– Multi-layered PCB	(155)	1,244
– LED lighting	14,149	165,206
	13,691	168,843
Impairment loss recognised in respect of property, plant and equipment		
– Single-sided PCB	7,153	18,116
– Double-sided PCB	8,457	27,532
– Multi-layered PCB	7,862	23,737
	23,472	69,385
Impairment loss recognised in respect of intangible assets		
– LED lighting	28,686	10,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in HK and the PRC.

Detailed below is information about the Group's revenue from external customers and information about its non-current assets (excluding trade receivables with extended credit terms and interests in an associate), analysed by their geographical location:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Asia:				
HK	**172,203**	185,681	**2,014**	4,274
Taiwan	**111,043**	118,926	**–**	–
The PRC (other than HK and Taiwan)	**330,655**	411,361	**330,754**	407,528
Japan	**1,800**	29,269	**–**	–
Other Asian countries	**10,698**	10,443	**–**	–
Europe:				
Hungary	**1,326**	13,269	**–**	–
Turkey	**19,673**	17,953	**–**	–
Other European countries	**20,383**	35,994	**–**	–
Others	**8,426**	12,605	**–**	–
	676,207	835,501	**332,768**	411,802

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)	**96,451**	121,356
Customer B (note)	**91,254**	106,070

Note: The revenue is mainly from Multi-layered PCB segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

The summarised financial information of the Company is as follows:

	2013 HK$'000	2012 HK$'000
ASSETS		
Investments in subsidiaries	128,094	128,104
Amounts due from subsidiaries	576,645	550,801
Other assets	39,475	483
	744,214	679,388
LIABILITIES		
Amounts due to subsidiaries	336,945	237,603
Other liabilities	1,474	3,325
	338,419	240,928
	405,795	438,460
CAPITAL AND RESERVES		
Share capital	44,228	44,248
Reserves (note)	361,567	394,212
	405,795	438,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury share HK$'000	Share option reserve HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000 (note)	Accumulated profits (losses) HK$'000	Total reserves HK$'000
At 1 January 2012	437,579	450	(373)	19,707	1,893	145,058	17,506	621,820
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(219,341)	(219,341)
Issue of shares upon exercise of share options	816	–	–	(234)	–	–	–	582
Dividends paid	–	–	–	–	–	–	(8,849)	(8,849)
Release upon forfeiture of share options	–	–	–	(6,847)	–	–	6,847	–
At 31 December 2012 and 1 January 2013	438,395	450	(373)	12,626	1,893	145,058	(203,837)	394,212
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(33,199)	(33,199)
Shares cancelled	(353)	20	373	–	–	–	(20)	20
Recognition of equity-settled share-based payments	–	–	–	534	–	–	–	534
Release upon forfeiture of share options	–	–	–	(771)	–	–	771	–
At 31 December 2013	438,042	470	–	12,389	1,893	145,058	(236,285)	361,567

Note: The contributed surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Tat Chun PCB International Company Limited acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

41. CONTINGENT LIABILITIES

During the year, Tat Chun Printed Circuit Board Company Limited in which the Group has 100% equity interest has been involved in a legal proceeding in respect of the breach of contractual agreement for an amount of approximately HK$14,612,000. The management of the Group and its legal counsel are strongly resisting this claim and are unable to make a reliable estimate on the outcome at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2013	2012	2013	2012	
Tat Chun PCB International Company Limited 達進電路版國際有限公司	HK	Ordinary shares HK$10,000	100%	100%	–	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	100%	100%	–	–	Trading of printed circuit boards
TC Hong Kong Electric Company Limited 達進香港電子有限公司	HK	Ordinary shares HK$10,000	100%	–	–	–	Trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board Company Limited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$190,000,000	–	–	100%	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun 廣東達進電子科技有限公司	The PRC (note i)	Registered capital HK$250,000,000	100%	100%	–	–	Manufacturing and trading of printed circuit boards
達進東方照明（深圳）有限公司	The PRC (note ii)	Registered capital HK$111,408,000	–	–	70%	70%	Manufacturing and trading of LED lighting
達進東方能源管理（啟東）有限公司	The PRC (note i)	Registered capital HK$39,000,000	–	–	100%	100%	Trading of LED lighting

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The company is a sino-foreign equity joint ventures.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table includes 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.

DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Details of 達進東方照明（深圳）有限公司 ("TC Orient (SZ)"), non-wholly owned subsidiary with material non-controlling interests, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	2013 HK$'000	2012 HK$'000
Loss allocated to non-controlling interest of		
TC Orient (SZ)	**6,486**	29,864
Individually immaterial subsidiaries	**3,269**	18,369
	9,755	48,233
Accumulated non-controlling interests		
TC Orient (SZ)	**18,353**	24,308
Individually immaterial subsidiaries	**(5,476)**	(2,495)
	12,877	21,813

Summarised financial information in respect of TC Orient (SZ) is set out below. The summarised financial information below represents the amounts before intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

TC ORIENT (SZ)

	2013 HK$'000	2012 HK$'000
Current assets	**309,116**	240,896
Non-current assets	**152,655**	191,225
Current liabilities	**(388,275)**	(336,446)
Total equity	**73,496**	95,675
Revenue	**81,984**	121,508
Expenses	**(103,602)**	(221,056)
Loss for the year	**(21,618)**	(99,548)
Other comprehensive income for the year	**561**	3,476
Total comprehensive expense for the year	**(21,057)**	(96,072)
Net cash outflow from operating activities	**(27,741)**	(73,065)
Net cash outflow from investing activities	**(2,336)**	(20,240)
Net cash inflow from financing activities	**32,782**	81,515
Net cash inflow (outflow)	**2,705**	(11,790)

43. COMPARATIVE FIGURES

In order to conform with current year's presentation, expenses of HK$17,021,000 for the year ended 31 December 2012 included in administrative expenses have been reclassified to selling and distribution expenses.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Turnover	739,314	997,112	1,194,521	835,501	**676,207**
Profit (loss) for the year	11,137	49,476	71,013	(281,307)	**(316,588)**

ASSETS AND LIABILITIES

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	944,815	1,493,964	1,863,030	1,336,911	**1,089,863**
Total liabilities	(590,390)	(862,832)	(893,914)	(639,784)	**(684,385)**
Total equity	354,425	631,132	969,116	697,127	**405,478**
Equity attributable to owners of the Company	354,425	590,736	900,199	675,314	**392,601**
Non-controlling interests	-	40,396	68,917	21,813	**12,877**
	354,425	631,132	969,116	697,127	**405,478**