Tech Pro Technology Development Limited
德 普 科 技 發 展 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock code : 03823

2013
ANNUAL REPORT

www.LEDUS.com

CONTENTS

CORPORATE INFORMATION

Directors

Executive directors
Mr. Li Wing Sang *(Chairman of the board)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Audit committee
Mr. Tam Tak Wah *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Remuneration committee
Mr. Tam Tak Wah *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Nomination committee
Mr. Li Wing Sang *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Authorised representatives
Mr. Liu Xinsheng
Mr. Ng Chi Ho Dennis (resigned on 1 August 2013)
Ms. Lee On Wing (appointed on 1 August 2013)

Company secretary
Mr. Ng Chi Ho Dennis (resigned on 1 August 2013)
Ms. Lee On Wing (appointed on 1 August 2013)

Auditor
Crowe Horwath (HK) CPA Limited

Principal banker
The Hong Kong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
(To be relocated to
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
with effective from
31 March 2014)

Principal share registrar and transfer office
Condan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

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

Principal place of business
Unit 1402, 14/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Company website
http://www.techprotd.com

Stock code
03823

CORPORATE PROFILE

LEDUS booth in HKTDC Hong Kong International Lighting Fair 2013 (Autumn Edition)

Tech Pro Technology Development Limited (the "Company", together with its subsidiaries collectively the "Group") (stock code: 03823) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group principally engaged in the manufacturing and sales of LED lighting products and accessories.

Light emitting diode (LED) is a semiconductor light source, which are used as indicator lamps in many devices. As the global concern for energy saving and the reduction of carbon emission is getting higher, LEDs are increasingly used for public lighting and indoor lighting.

The Group strives to be a prevailing LED lighting applications and solutions provider with quality management system, through our quality products, from the components to finished products and professional services, so as to provide one stop solution for green lightings. The Group owns four factories which are located in Shenzhen, Jiangxi, Xiamen of the PRC, manufacturing LED lighting parts and components of aluminum and copper based PCB, LED chips on board packaging, LED chips on board module and LED lighting assembling respectively. The Group has set up sale and marketing centers which are located in Hong Kong, Spain and Shanghai respectively. Headquarter is situated in Hong Kong which is responsible for the strategic planning and the co-ordinations among the factories of the Group.

"LEDUS" – the self-owned brand LED lighting products of the Group are distributed throughout the world, from Asia, Europe to Africa. The brand names and trademarks of "LEDUS" and "萊德斯" have been registered in Hong Kong, Macau, Europe, Taiwan, Japan and Malaysia. "LEDUS" products include indoor and outdoor lightings which range from light bulbs, light tubes, spotlights and street lamps. All "LEDUS" products are manufactured according to the prevailing LED quality management systems, such as ISO, RoHS and they are all CE certified.

"LEDUS" – Light up the world and make a better green life together.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of Tech Pro Technology Development Limited (the "Company", together with its subsidiaries collectively the "Group"), I am pleased to present its annual report for the year ended 31 December 2013.

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

LED project – Imperial Bird's Nest shop in Yuen Long

CHAIRMAN'S STATEMENT

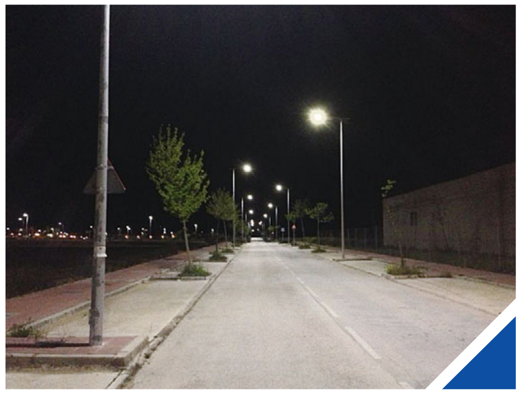
Sponsor LED lighting to Hulu Culture 文化葫蘆 "2013–14 Our Home, Our Roots" Programme in Tai Po Lam Chuen

Governments around the world, such as those in China, Japan, Europe and the United States have already set timetables for phasing out incandescent lamps, paving the way for a growing replacement demand. LEDs, which enjoy a much longer life span, consume much less energy and cause considerably less pollution than the conventional lighting, have become a substitute for incandescent lamps. As a result, global demand for LED products was growing rapidly. A report by Credit Suisse projected that the global LED lighting market would grow from US$7 billion in 2011 to US$45 billion in 2016. The fast-growing demand is set to help absorb the consolidated production capacity. Moreover, the popularization and expanded production have been making LED products more affordable and narrowing the price difference between them and the conventional lighting products. This may trigger enormous replacement demand. In 2013, the LED products only accounted for 2% to 3% of the global market for lighting, and thus have huge potential for growth.

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

CHAIRMAN'S STATEMENT

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



LED street lamp project, Tarancon, Spain

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

LED street lamp project, Tarancon, Spain (left is LED street lamp, right is traditional street lamp)

CHAIRMAN'S STATEMENT

LED street lamp project, Tarancon, Spain

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

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

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

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

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

LED project - Empark car park, Spain

LED project – Ole London Hotel, Macau 澳門英京酒店

Looking forward, we believe the Group's LED business still has bright prospects and shall be the major source of income of the Group. The Group is working with various cities and towns and will keep on looking for opportunities to award more energy efficiency projects in Spain and other European countries where the electricity fee is comparatively high in the world. Private enterprises have more incentive to renovate their lighting systems as the prices of the LED lighting products are getting lower. The Group will keep on exploring opportunities to expand its market share in LED lighting market in Hong Kong, the PRC and the oversea markets. With the recognition of the branding of "LEDUS" is getting higher as more advertising and promotion have been lodged, the public awareness of energy saving is increasing and the encouragement from the governments of the world, we believe the Group's LED lighting business shall have a potential and perspective future.

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

CHAIRMAN'S STATEMENT

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

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

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

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

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their unwavering support, as well as the management team and all staff of the Group for their dedication and contribution over the past year.

Li Wing Sang
Chairman

Hong Kong, 31 March 2014

LED project – Burger King, Spain

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

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

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

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

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

Impairment loss on goodwill

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

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

Gross profit margin

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

Finance costs

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

MANAGEMENT DISCUSSION AND ANALYSIS

Loss from discontinued operations

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

Dividend

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

Liquidity and financial resources

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

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

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

Exchange risk exposure and contingent liabilities

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

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

Capital commitment

As at 31 December 2013, the capital commitments contracted but not provided for in respect of the purchase of property, plant and equipment and other non-current assets was approximately RMB5.0 million (2012: approximately RMB8.1 million) and acquisition of equity interest in a joint venture was approximately RMB351.4 million (2012: nil). There was no outstanding capital commitments authorised but not provided for in respect of property, plant and equipment as at 31 December 2013 (2012: nil).

Employee information

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

Charge on assets

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

Material acquisitions and disposal of subsidiaries and associated companies

On 23 April 2013, the Company as the vendor (the "Vendor") had entered into the disposal agreement ("Disposal Agreement") with Mr. Yan Qixu as the purchaser (the "Purchaser"), a former executive director and a substantial shareholder of the Company, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, the entire issued share capital and equity interests in Huawei Group Holdings Limited ("Huawei", together with its subsidiaries the "Huawei Group") at a consideration of HK$120 million. Huawei is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding, being a wholly owned subsidiary of the Company. The Huawei Group is principally engaged in the business of manufacturing and sale of aluminum electrolytic capacitors. Huawei directly holds 100% equity interests in Blue Saint Enterprises Limited, He Yue Development Company Limited and He Yue Company Limited ("He Yue"), which are companies incorporated in the British Virgin Islands with limited liability and are principally engaged in investment holding. He Yue directly holds (a) 100% equity interest in 常州華威電子有限公司 (Changzhou Huawei Electronics Company Limited) ("Changzhou Huawei"); and (b) 100% equity interest in 常州華威電容器有限公司 (Changzhou Huawei Capacitors Company Limited) ("Huawei Capacitors"). Both of Changzhou Huawei and Huawei Capacitors are wholly foreign owned enterprises established under the laws of PRC and are principally engaged in the manufacturing and sale of aluminum electrolytic capacitors. Huawei Capacitors in turn holds (a) 100% equity interest in 海吉威有限公司 (Hai Ji Wei Company Limited), a company incorporated in Hong Kong with limited liability and principally engaged in investment holding, and (b) 100% equity interest in 四川石棉華瑞電子有限公司 (Sichuan Shi Mian Hua Rui Electronics Company Limited), a legal enterprise established under the laws of the PRC and is principally engaged in the manufacturing and sale of aluminum foil. The consideration for the Disposal Agreement shall be set off against the loan, which is due to the Purchaser, pursuant to a deed of set off to be executed by the Vendor and the Purchaser upon completion. Details of which, please refer to the announcement and the circular of the Company dated 23 April 2013 and 24 May 2013 respectively. Upon completion, the Group ceased to engage in the manufacturing and sale of aluminum electrolytic capacitors related business and will focus on the manufacturing and sale of LED lighting products and accessories.

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

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

On 27 November 2013, Champion Miracle Limited ("Champion Miracle"), an indirectly wholly owned subsidiary of the Company as the purchaser, entered into a sale and purchase agreement with Mr. Fan Lin ("Mr. Fan") as the vendor, pursuant to which Champion Miracle has conditionally agreed to purchase and Mr. Fan has conditionally agreed to sell the 50% of entire equity interest of Shanghai Fu Chao Investment Company Limited (上海富朝投資有限公司) ("Fu Chao"), a company established in the PRC with limited liability at a consideration of HK$450,000,000 (equivalent to approximately RMB351,562,000). Fu Chao is principally engaged in the sub-leasing of the property located at 1/F to 10F, Block B, Huan Qiu Shi Jie Building, No. 1–5 Wan Huang Du Lu, Jing An, Shanghai, the PRC (the "Property") to tenants and provision of property management services for the Property. The consideration shall be satisfied by Champion Miracle as to HK$20,000,000 in cash upon signing the agreement, HK$20,000,000 in cash, HK$270,000,000 by procuring the Company to issue the convertible bonds to Mr. Fan or his nominee and HK$140,000,000 by procuring the Company to allot and issue the consideration shares to Mr. Fan upon completion. The acquisition was subsequently completed on 24 March 2014. Details of which, please refer to the announcement of the Company dated 27 November 2013.

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

REPORT OF THE DIRECTORS

The board (the "Board") of directors of Tech Pro Technology Development Limited (the "Company") is pleased to present to the shareholders the annual report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") for the year ended 31 December 2013.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the consolidated financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group and the Company as at 31 December 2013 are set out on pages 33 to 113.

The Board does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

Group financial summary

A five year summary of the results and of the assets and liabilities of the Group as at 31 December is set out on page 114.

Donation

Donations made by the Group during the year amounted to RMB3,000 (2012: RMB300,000).

Property, plant and equipment

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

Bank loans and other borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2013 are set out in notes 27, 28, 29 and 30 to the consolidated financial statements respectively.

Share capital and unlisted warrants

Details of movements in the Company's share capital and unlisted warrants are set out in notes 35 and 36 to the consolidated financial statements respectively.

Reserves

Loss attributable to shareholders of the Group, before dividends, of RMB257,160,000 (2012: RMB 127,641,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2013 are set out in note 37 to the consolidated financial statements.

Emolument policy

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share option scheme" below.

Remuneration of directors and five highest paid individuals

Details of the emoluments of the directors and the top five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements respectively.

Retirement schemes

The Group participates in several defined contribution retirement plan which cover approximately 93% of the Group's employees and operates a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 33 to the consolidated financial statements.

Director's interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as the end of the year or at any time during the year.

Directors and directors' service contracts

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

Executive directors
Mr. Li Wing Sang *(Chairman)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

In accordance with the Company's articles of association, Mr. Chiu Chi Hong and Mr. Lau Wan Cheung shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), from Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung and as at the date of this report still considers them to be independent.

Each of the above executive directors has entered into a service contract for a term of three years, which may be terminated by either party giving the other party not less than six months' prior notice in writing, whereas, each of the above independent non-executive directors has entered into a service contract for a term of two years, which may also be terminated by either party by giving the other party at least one month's prior notice in writing.

All directors of the Company are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, no director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

Biographical details of directors and senior management

Executive directors

Mr. Li Wing Sang (李永生), aged 56, was appointed as an executive director of the Company on 11 December 2009. He has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. Mr. Li was an executive director of Siberian Mining Group Company Limited (stock code: 1142), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Pizu Group Holdings Limited (formerly known as China Electric Power Technology Holdings Limited) (stock code: 8053), a company listed on the Growth Enterprise Market (the "GEM Board") of the Stock Exchange, and was resigned in July 2010 and August 2011 respectively. Mr. Li is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Mr. Li did not hold any directorship in any listed public company in the last three years. Mr. Li is a shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. Liu Xinsheng (劉新生), aged 45, is an executive director of the Company. He is responsible for the Board's general affairs. Mr. Liu graduated from Nanjing Audit College (南京審計學院) specialising in accounting in 1991. He is a registered international internal auditor, a registered tax agent of the PRC and an accounting professional. Mr. Liu has over 10 years' experience in the field of accounting and auditing. Prior to joining the Group in February 2006 as the board secretary of Changzhou Huawei Electronics Company Limited ("Huawei Electronics"), a wholly-owned subsidiary of the Company which was disposed in 2013, he worked in the auditing department of Panda Electronics Group Company (熊貓電子集團公司) from July 1991 to December 1998, was the manager of the auditing department of Jiangsu Technology Import and Export Company (江蘇技術進出口公司) from January 1999 to February 2003, the general manager of auditing and legal department and cost control department of Nanjing Chixia Development Company Limited (南京棲霞建設股份有限公司) from February 2003 to February 2006. Mr. Liu is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Mr. Liu did not hold any directorship in any listed public company in the last three years.

Mr. Chiu Chi Hong (招自康), aged 49, was appointed as an executive director of the Company on 11 July 2011. He holds a Bachelor of Business degree from Griffith University, Australia. He has over 15 years' experience in business development, corporate management, finance and accounting fields. Mr. Chiu was an executive director of Siberian Mining Group Company Limited (stock code: 1142), a company listed on the Main Board of the Stock Exchange and resigned in August 2010. Mr. Chiu is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Mr. Chiu did not hold any directorship in any listed public company in the last three years. Mr. Chiu is a shareholder of the Company within the meaning of Part XV of the SFO.

Independent non-executive directors

Mr. Lau Wan Cheung (劉雲翔), aged 49, holds a Master Degree in Information Technology from the National University of Ireland, Ireland and a Bachelor Degree in Accounting from the University of Hull, England. Mr. Lau has over 20 years of experience in accounting, finance and business management. Mr. Lau was appointed as an independent non-executive director of the Company on 8 June 2011. Save as disclosed above, Mr. Lau did not hold any directorship in any listed public company in the last three years.

Mr. Ng Wai Hung (吳偉雄), aged 50, was appointed as an independent non-executive director of the Company on 8 April 2011. He is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of another six companies listed on the Main Board of the Stock Exchange, namely Hycomm Wireless Limited (stock code: 499), Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Sustainable Forest Holdings Limited (stock code: 723), Trigiant Group Limited (stock code: 1300) and Perception Digital Holdings Limited (stock code: 1822). Mr. Ng was also an independent non-executive director of King Stone Energy Group Limited (formerly known as Yun Sky Chemical (International) Holdings Limited) (stock code: 663), Ares Asia Limited (formerly known as KTP Holdings Limited (stock code: 645) and Talent Property Group Limited (formerly known as Tomorrow International Holdings Limited) (stock code: 760), all are the companies listed on the Main Board of the Stock Exchange and resigned in February 2010, February 2011 and January 2012, respectively. Save as disclosed above, Mr. Ng did not hold any directorships in any listed public company in the last three years.

Mr. Tam Tak Wah (譚德華), aged 48, was appointed as an independent non-executive director of the Company on 7 January 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is appointed to be a member of Disciplinary Panel of the HKICPA for the period from February 2014 to March 2017. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of International Standard Resources Holdings Limited (formerly known as New Smart Energy Group Limited) (stock code: 91) and an independent non-executive director of China Packaging Group Company Limited (stock code: 572), all are companies listed on the Main Board of the Stock Exchange. Mr. Tam was an independent non-executive director of Goldenway, Inc (stock code: GWYI) which is a company whose common stocks are traded in the OTCQB of the United States of America and Siberian Mining Group Company Limited (stock code: 1142) which is a company listed on the Main Board of the Stock Exchange, and resigned in August 2013 and February 2014 respectively. Saved as disclosed above, Mr. Tam did not hold any directorship in any listed public company in the last three years.

Senior management

Ms. Lee On Wing (李安穎), age 39, is the company secretary and authorized representative of the Company. Ms. Lee joined the Company as the finance manager since 2011. Ms. Lee holds a bachelor degree of accounting from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has over 10 years of experience in auditing, accounting, finance and company secretarial fields. Prior joining the Company, Ms. Lee has worked as a senior auditor in an international accounting firm from 2007 to 2011.

Share option scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 26 July 2007 whereby the Board are authorized, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Company. The Scheme became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

No share options were granted, exercised or cancelled by the Company under the Scheme during the year ended 31 December 2013 and there are no outstanding share options under the Scheme as at 31 December 2013. The total number of Shares available for issue under the Scheme as at the date of this report was 108,270,200 Shares which represented 8.94% of the issued share capital of the Company as at the date of this report.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

As at 31 December 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which required notification pursuant to Division 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Interests in the Shares of HK$0.01 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Li Wing Sang ("Mr. Li") (note 1)	Beneficial owner	171,272,000 (Long position)	14.92%
	Beneficial owner	29,066,000 (Short position)	2.53%
	Deemed	800,000 (Long position)	0.07%
Mr. Chiu Chi Hong	Beneficial owner	61,240,000 (Long position)	5.33%

Note 1: On 21 January 2013, Mr. Li has entered into an option deed ("Option Deed") with Tong Heng Limited ("Tong Heng"), a previous substantial shareholder of the Company. Pursuant to the Option Deed, Tong Heng has granted a call option over an aggregate of 56,500,000 Shares to Mr. Li until 31 March 2014. Details of which, please refer to the announcement of the Company dated 21 January 2013. Mr. Li is deemed to be interested in 800,000 Shares which are beneficiary owned by Ms. Wong Ngai, the spouse of Mr. Li.

(ii) Long position in the ordinary shares of associated corporation

As at 31 December 2013, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of substantial shareholders in shares and debentures of the Company

As at 31 December 2013, so far as is known to the directors of the Company, the following persons (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Wong Ngai (note 1)	Beneficiary owner	800,000 (Long position)	0.07%
	Deemed	171,272,000 (Long Position)	14.92%
	Deemed	29,066,000 (Short position)	2.53%
Ms. Hui Wah Ying, Joelle (note 2)	Deemed	61,240,000 (Long position)	5.33%

Note 1: Ms. Wong is the beneficial owner of 800,000 Shares, who is the spouse of Mr. Li, an executive director of the Company. By virtue of the SFO, Ms. Wong is deemed to be interested in the 200,338,000 Shares which are beneficially owned by Mr. Li.

Note 2: Ms. Hui is the spouse of Mr. Chiu Chi Hong, an executive director of the Company. By virtue of the SFO, Ms. Hui is deemed to be interested in the 61,240,000 Shares which are beneficially owned by Mr. Chiu.

Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year was the Company, its holding company, subsidiaries, a party to any arrangement to enable the directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing interests

None of the directors and the substantial shareholders of the Company had any interests in any business, which competed with or might compete with the business of the Group.

Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 20.9% of the Group's total turnover. In particular, sales to the largest customer of the Group accounted for approximately 7.6% of the Group's total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 44.0% of the Group's total purchases for the year, In particular, purchases from the Group's largest supplier accounted for approximately 11.7% of the Group's total purchases for the year.

To the best knowledge of the directors of the Company, none of the directors of the Company, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

Related party transactions

The related party transactions for the year ended 31 December 2013 are set out in note 43 to the consolidated financial statements. These related party transactions disclosed in note 43(a) to the consolidated financial statements are the continuing connected transactions defined under the Listing Rules. The Company has complied with the specific rule requirements under the Listing Rules for such continuing connected transactions.

Connected transactions

On 18 September 2012, a wholly-owned subsidiary of the Company, Changzhou Huawei, entered into the supply agreements with each of Enercon Capacitor Company Limited ("Enercon Capacitor") and Shenzhen Ji Tai Long Electronic Company Limited ("Shenzhen Ji Tai Long") respectively, pursuant to which Changzhou Huawei has agreed to sell aluminum electrolytic capacitors to Enercon Capacitor and Shenzhen Ji Tai Long respectively. Each of these supply agreements has a term commencing on 12 November 2012 to 31 December 2013.

The annual caps with Enercon Capacitor and Shenzhen Ji Tai Long for the year ended 31 December 2013 are HK$28,000,000 (equivalent to approximately RMB22,462,000) and HK$2,000,000 (equivalent to approximately RMB1,604,000) respectively.

On 11 January 2013, Shenzhen Chong Zhen Electronics Technology Company Limited ("Shenzhen Chong Zhen"), a company established under the laws of the PRC and is a non-wholly owned subsidiary of the Company, entered into the supply agreement with Shenzhen E-Bright Electronic Company Limited ("Shenzhen E-Bright"), pursuant to which Shenzhen Chong Zhen has agreed to sell LED lighting products to Shenzhen E-Bright. The annual cap are HK$8,750,000 (equivalent to approximately RMB7,000,000) for the year ended 31 December 2013.

Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Crowe Horwath has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. The auditor's letter confirmed that nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions (i) have not been approved by the board of directors of the Company; (ii) are not, in all material respects, in accordance with the pricing policies of the Group; (iii) have not been entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions; and (iv) have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company.

The independent non-executive directors have reviewed the continuing connected transactions set out above and in note 43 to the consolidated financial statements and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

On 17 June 2013, the Company has completed the disposal of 100% equity interests in Huawei Group Holdings Limited and its subsidiaries. Upon the completion, Changzhou Huawei ceased to be a subsidiary of the Company and the transactions between Changzhou Huawei and Enercon Capacitor and Shenzhen Ji Tai Long are not connected to the Company.

Purchase, redemption or sale of listed securities of the Company

The Company had not purchased, redeemed or sold any of its shares during the year. Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

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, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

Corporate governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

Capital Commitments

Details of the significant capital commitments are set out in note 42 to the consolidated financial statements.

Contingent liabilities

Details of the contingent liabilities are set out in note 44 to the consolidated financial statements.

Events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

Closure of register of members

The register of members of the Company will be closed from 22 May 2014 to 23 May 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to quality for attending the annual general meeting of the Company to be held on 26 May 2014, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investors Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183, Queen's Road East, Hong Kong with effective from 31 March 2014) for registration not later than 4:00 p.m. on 21 May 2014.

Auditor

Crowe Horwath was first appointed as auditor of the Company in 2013 upon the retirement of CCIF CPA Limited (the "CCIF"). CCIF acted as auditor of the Company in 2011 and 2012.

Crowe Horwath shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Li Wing Sang
Chairman

Hong Kong, 31 March 2014

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

Code on corporate governance practices

The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the code provisions of the Code for the year ended 31 December 2013, save for the exception explained in this report under the section headed "Chairman and chief executive officer".

The Board as a whole is responsible for performing the corporate governance duties. The Board periodically reviews and improves the corporate governance practices and standards of the Company with a view to continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

Board of directors

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board to the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out below in this report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and the accompanying relevant documents are distributed to the Directors or members of the Board Committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board Committees, which recorded in sufficient details the matters considered by the Board or the Board Committees and decisions reached, including any concerns raised by the Directors or dissenting views expressed, are kept by the company secretary and open for inspection by the Directors.

The Company has received from each of the independent non-executive directors ("INEDs") an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The members of the Board during the year and up to the date of this report were:

Executive directors:
Mr. Li Wing Sang
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors:
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 18 to 19 of this report.

Board meetings and attendance

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year 2013, 49 Board meetings were held and attendance of each Director at the Board meeting is set out as follows:

Directors	Attendance/ Meeting held
Executive directors	
Mr. Li Wing Sang	49/49
Mr. Liu Xinsheng	49/49
Mr. Chiu Chi Hong	49/49
Independent non-executive directors	
Mr. Tam Tak Wah	8/8
Mr. Ng Wai Hung	8/8
Mr. Lau Wan Cheung	8/8

Chairman and chief executive officer

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

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

The Board understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility to comply. If compliance is determined, appropriate person will be nominated to assume the different roles of chairman and chief executive officer.

Appointment, re-election and removal of directors

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years, which may be terminated by either party by giving not less than six months' prior written notice, whereas, each of the non-executive Directors has also entered into a service contract with the Company for a term of two years, which may be terminated by either party by giving the other party at least one month's notice in writing.

In accordance with Article 87 of the Articles of Association (the "Articles") of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Directors appointed pursuant to Articles 86(3) of the Articles shall not be taken into account in determining which Director or the number of Directors who are to retire by rotation in accordance with Article 87 of the Articles.

Mr. Chiu Chi Hong and Mr. Lau Wan Cheung will retire from office as directors by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Model code set out in Appendix 10 to the Listing Rules

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

Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the Model Code of the Company during the year ended 31 December 2013. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Responsibilities of directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statue and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are encouraged to participate in relevant training course and seminars held by the regulatory bodies or professional institutions in respective of regulatory development, business and market changes and the strategic development of the Group. Information obtained will be shared and discussed among the Directors.

Supply of and access to information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda and accompanying relevant documents are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a Board meeting.

All Directors are entitled to have access to the Board minutes and related materials.

Company Secretary

Ms. Lee On Wing ("Ms. Lee") was appointed as the company secretary of the Company on 1 August 2013. The biographical details of Ms. Lee are set out under the section headed "Biographical details of directors and senior management". According to the Rule 3.29 of the Listing Rules, Ms. Lee has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

Continuous professional development

According to the code provision A.6.5 of the Code, the Company recommends Directors to attend relevant seminars or courses to develop and refresh their knowledge and skills. The company secretary reports from time to time the latest changes and development of the Listing Rules and other corporate governance requirements with written materials. During the year 2013, the continuous professional development taken by respective Directors are as follows:

Directors	Type of Trainings
Executive directors	
Mr. Li Wing Sang	A, B
Mr. Liu Xinsheng	A, B
Mr. Chiu Chi Hong	A, B
Independent non-executive directors	
Mr. Tam Tak Wah	A, B
Mr. Ng Wai Hung	A, B
Mr. Lau Wan Cheung	A, B

A. reading materials in relation to regulatory update

B. attending seminars/courses/conferences to develop professional skill and knowledge

Audit Committee

The Company established an Audit Committee on 26 July 2007 with written terms of reference in compliance with the code provisions of the Code as set out in Appendix 14 to the Listing Rules. The primarily duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs only and Mr. Tam Tak Wah, the chairman of the Audit Committee, who possesses a professional accounting qualifications and relevant accounting experience.

The written terms of reference of the Audit Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Group's website.

During the year 2013, the Audit Committee had met three times with the Board and senior management of the Company, two of which with the Company's external auditor. The Audit Committee has also reviewed the Group's internal controls. The Group's interim results for the six months ended 30 June 2013 and the annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

The Audit Committee held 3 meetings during the year ended 31 December 2013. Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Tam Tak Wah	3/3
Mr. Ng Wai Hung	3/3
Mr. Lau Wan Cheung	3/3

Auditor's remuneration

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") is first appointed as auditor of the Company in 2013. CCIF CPA Limited ("CCIF") had acted as auditor of the Company in the preceding years. Crowe Horwath, which was established by the merger of business of CCIF and PCP CPA Limited, is a member firm of Crowe Horwath International.

During the year ended 31 December 2013, the fee incurred for audit and non-audit services provided by the auditor to the Group is set out as follows:

Type of services	Fee paid/ Payable RMB'000
Audit services	689
Non-audit services	117
	806

Nomination Committee

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provision of the Code as set forth in Appendix 14 to the Listing Rules. The primarily duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession and ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee consists of Mr. Li Wing Sang, an executive Director and two INEDs, namely Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr. Li Wing Sang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size, composition and diversity of the Board, assessing the independence of INEDs of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the Code and are available upon request and on the Group's website.

The Nomination Committee held 2 meetings during the year ended 31 December 2013. Details of the attendance of the Nomination Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Li Wing Sang	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meeting, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessing the independence of INEDs and other related matters of the Company.

Remuneration committee

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Code as set forth in Appendix 14 to the Listing Rules. The primarily duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The members of the Remuneration Committee are Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung who are the INEDs of the Company. Mr. Tam Tak Wah is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss remuneration-related matters. No executive Director is allowed to be involved in deciding his or her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Company's website.

The Remuneration Committee held 2 meetings during the year ended 31 December 2013. Details of the attendance of the Remuneration Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Tam Tak Wah	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the senior executives, and also reviewed the remuneration packages and performance of the Directors for the year 2013.

Directors' and auditor's responsibility for financial statements

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013. The auditor of the Company acknowledges their reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2013. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Internal control

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The Board had conducted regular reviews on the effectiveness of the system of the internal controls of the Group, covering all material controls including financial, operational, compliance controls and risks management functions during the year. Results and findings arising from the reviews were discussed in the Audit Committee meetings.

In order to enhance the internal control of the Company, the Company has engaged an independent professional consultant to conduct an internal control review (the "Review") during the year 2013. The Review was conducted with reference to the requirements of the Appendix 14 to the Listing Rules to evaluate risks and control weaknesses. A report on the Review has been prepared by the independent professional consultant and been sent to the Audit Committee members for their review. From the report, no material findings are noted and certain recommendations have been made to the Company. The Company accepted the recommendations and corresponding actions have been enforced.

Shareholders' rights

Convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary at the head office of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a Shareholders' Communication Policy (the "Policy") on 30 March 2012. Under the policy, the Company's information is communicated to the shareholders mainly through general meetings, including annual general meeting and extraordinary general meeting, the Company's financial reports (interim reports and annual reports), and other corporate publications on the websites of the Company and the Stock Exchange. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The shareholders may direct their questions about their shareholdings to the Company's share registrar, the contact details of which are set out as follows:

Tricor Investors Services Limited

Address:	26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effective from 31 March 2014)
Telephone:	(852) 2980-1888
Facsimile:	(852) 2890-9350

The Shareholders, the potential investors and the media may at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company through the following means:

Address:	Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Facsimile:	(852) 3908-1223
Attention:	Company Secretary

Right to propose a person for election as a director at general meetings

Pursuant to the Article 88 of the Articles of the Company, a shareholder may propose a person other than a retiring Director or recommended by the Directors by validly lodging the following documents within the period hereinafter mentioned at the head office of the Company:

1. a notice in writing of the intention to propose that person for election as a director, which must state the full name of the person, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules and be signed by a shareholder; and

2. a notice in writing signed by that person of his/her willingness to be elected as a director together with his/her written consent to the publication of his/her personal data. Such documents shall be lodged with the head office of the Company within the period of seven (7) days after the despatch of the notice of the general meeting.

Upon receipt of such documents, the Company shall verify the documents and, if the proposal is found to be in order, publish an announcement and/or issue a supplemental circular in respect of the proposal in accordance with Rule 13.70 of the Listing Rules.

Investor relations

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties respectively. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the websites of the Company and the Stock Exchange. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication. The Group's investor relation firm in Hong Kong is iPR Ogilvy Limited.

Communication with shareholders

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The chairman of the Board, as well as the chairman of Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The 2013 annual general meeting of the Company will be held on 26 May 2014.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements.

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港銅鑼灣禮頓道77號禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TECH PRO TECHNOLOGY DEVELOPMENT LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tech Pro Technology Development Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 33 to 113, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 Company and 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2014

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations			
Turnover and revenue	6	**167,210**	303,629
Cost of sales		**(94,762)**	(213,820)
Gross profit		**72,448**	89,809
Other revenue	7	**6,860**	6,654
Other income	7	**1,991**	717
Distribution costs		**(15,343)**	(7,899)
Administrative expenses		**(34,826)**	(27,709)
Impairment loss on goodwill	18	**(197,045)**	–
Amortisation of intangible assets	19	**(71,380)**	(71,380)
Fair value gain on embedded derivative of convertible notes	29	**–**	11,932
Fair value (loss)/gain on embedded derivatives of bonds	30	**(3,542)**	2,691
Loss on extinguishment of convertible notes to bonds	29	**–**	(39,014)
Loss on early redemption of promissory notes	28	**(4,878)**	(5,600)
Allowance for impairment on trade receivables, net	22(b)	**(153)**	–
Finance costs	8(a)	**(9,760)**	(22,528)
Loss before taxation	8	**(255,628)**	(62,327)
Income tax credit	9	**5,276**	3,561
Loss for the year from continuing operations		**(250,352)**	(58,766)
Discontinued operations			
Loss for the year from discontinued operations	10	**(6,808)**	(68,875)
Loss for the year		**(257,160)**	(127,641)
Loss attributable to:			
Owners of the Company		**(245,528)**	(119,675)
Non-controlling interests		**(11,632)**	(7,966)
		(257,160)	(127,641)
Loss attributable to owners of the Company arises from:			
Continuing operations		**(238,720)**	(50,800)
Discontinued operations		**(6,808)**	(68,875)
		(245,528)	(119,675)
Loss per share (RMB cents)	15		
From continuing operations and discontinued operations			
– Basic and diluted		**(22.26 cents)**	(11.33 cents)
From continuing operations			
– Basic and diluted		**(21.64 cents)**	(4.81 cents)
From discontinued operations			
– Basic and diluted		**(0.62 cents)**	(6.52 cents)

The notes on pages 41 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Loss for the year		**(257,160)**	(127,641)
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Exchange differences:			
– on translation of financial statements of foreign operations		**(84)**	(1,624)
– reclassification adjustment relating to disposal of subsidiaries	39	**2,020**	(61)
Total comprehensive loss for the year (net of tax)		**(255,224)**	(129,326)
Attributable to:			
Owners of the Company		**(243,556)**	(121,335)
Non-controlling interests		**(11,668)**	(7,991)
		(255,224)	(129,326)
Total comprehensive loss attributable to owners of the Company arises from:			
Continuing operations		**(238,768)**	(52,399)
Discontinued operations		**(4,788)**	(68,936)
		(243,556)	(121,335)

The notes on pages 41 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**56,835**	236,690
Lease prepayments	17	**–**	3,676
Goodwill	18	**175,582**	372,627
Other intangible assets	19	**587,244**	658,624
		819,661	1,271,617
Current assets			
Inventories	21	**22,532**	132,665
Lease prepayments	17	**–**	83
Trade and bills receivables	22	**116,335**	337,891
Other receivables and prepayments	23	**94,508**	69,323
Restricted bank deposits	24	**12,170**	42,504
Cash at banks and in hand	24	**42,520**	65,116
		288,065	647,582
Current liabilities			
Trade and bills payables	25	**24,965**	182,672
Other payables and accruals	26	**28,231**	63,875
Amounts due to related companies	43(b)	**–**	42,888
Amount due to a former director	43(c)	**–**	1,178
Amount due to a director	43(d)	**571**	585
Amount due to a former shareholder	43(e)	**–**	144
Bank loans	27	**3,324**	285,303
Promissory notes payable	28	**–**	15,145
Bonds payable	30	**65,283**	712
Obligations under finance leases	32	**352**	–
Income tax payable	31(a)	**25,181**	16,451
		147,907	608,953
Net current assets		**140,158**	38,629
Total assets less current liabilities		**959,819**	1,310,246
Non-current liabilities			
Loan from a former director	43(f)	**–**	96,264
Bonds payable	30	**–**	57,631
Obligations under finance leases	32	**738**	–
Deferred tax liabilities	31(b)	**148,995**	166,878
		149,733	320,773
NET ASSETS		**810,086**	989,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**10,407**	9,835
Reserves		**628,702**	733,533
		639,109	743,368
Non-controlling interests		**170,977**	246,105
TOTAL EQUITY		**810,086**	989,473

Approved and authorised for issue by the board of directors on 31 March 2014.

Li Wing Sang
Director

Chiu Chi Hong
Director

The notes on pages 41 to 113 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	20	**659,419**	891,875
Current assets			
Other receivables and prepayments	23	**–**	38
Amounts due from subsidiaries	43(g)	**93,482**	47,235
Cash at banks and in hand	24	**11,484**	27,904
		104,966	75,177
Current liabilities			
Other payables and accruals	26	**266**	805
Amount due to a director	43(d)	**305**	312
Amounts due to subsidiaries	43(h)	**46**	14,327
Promissory notes payable	28	**–**	15,145
Bonds payable	30	**65,283**	712
		65,900	31,301
Net current assets		**39,066**	43,876
Total assets less current liabilities		**698,485**	935,751
Non-current liabilities			
Loan from a former director	43(f)	**–**	96,264
Bonds payable	30	**–**	57,631
		–	153,895
NET ASSETS		**698,485**	781,856
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**10,407**	9,835
Reserves	37	**688,078**	772,021
TOTAL EQUITY		**698,485**	781,856

Approved and authorised for issue by the board of directors on 31 March 2014.

Li Wing Sang
Director

Chiu Chi Hong
Director

The notes on pages 41 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share Capital RMB'000	Share premium RMB'000 (note 37(a))	Capital reserve RMB'000 (note 37(b))	Warrant reserve RMB'000 (note 37(c))	Other reserve RMB'000 (note 37(d))	Special reserve RMB'000 (note 37(e))	Statutory reserve RMB'000 (note 37(f))	Exchange reserve RMB'000 (note 37(g))	Accumulated losses RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	9,439	653,403	6,894	526	(716)	42,783	17,330	(1,721)	(52,216)	666,283	254,096	929,818
Issue of unlisted warrants	–	–	–	88,050	–	–	–	–	–	88,050	–	88,050
Issue of new shares:												
– upon exercise of unlisted warrants (note 35(a))	333	83,552	–	(1,651)	–	–	–	–	–	81,901	–	82,234
– upon conversion of convertible notes (note (35)(b))	63	18,634	–	–	–	–	–	–	–	18,634	–	18,697
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	4,754	(1,687)	–	(3,067)	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	(119,675)	(119,675)	(7,966)	(127,641)
Exchange difference:												
– on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(1,599)	–	(1,599)	(25)	(1,624)
– reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	–	(61)	–	(61)	–	(61)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(1,660)	(119,675)	(121,335)	(7,991)	(129,326)
At 31 December 2012 and 1 January 2013	9,835	755,589	6,894	86,925	(716)	47,537	15,643	(3,381)	(174,958)	733,533	246,105	989,473
Issue of new shares:												
– upon exercise of unlisted warrants (note 35(a))	572	171,615	–	(45,234)	–	–	–	–	–	126,381	–	126,953
Acquisition of additional interests in subsidiaries (note 38)	–	–	–	–	12,344	–	–	–	–	12,344	(63,460)	(51,116)
Reclassification adjustment upon disposal of subsidiaries	–	–	(6,894)	–	716	(47,537)	(15,643)	–	69,358	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	(245,528)	(245,528)	(11,632)	(257,160)
Exchange difference:												
– on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(48)	–	(48)	(36)	(84)
– reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	–	2,020	–	2,020	–	2,020
Total comprehensive loss for the year	–	–	–	–	–	–	–	1,972	(245,528)	(243,556)	(11,668)	(255,224)
At 31 December 2013	10,407	927,204	–	41,691	12,344	–	–	(1,409)	(351,128)	628,702	170,977	810,086

The notes on pages 41 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
Operating activities		
Loss before taxation		
– Continuing operations	**(255,628)**	(62,327)
– Discontinued operations	**(20,505)**	(72,290)
	(276,133)	(134,617)
Adjustments for:		
Amortisation of lease prepayments	**42**	401
Amortisation of intangible assets	**71,380**	71,380
Impairment loss on goodwill	**197,045**	–
Finance costs	**20,451**	42,603
Fair value gain on embedded derivative of convertible notes	**–**	(11,932)
Fair value loss/(gain) on embedded derivative of bonds	**3,542**	(2,691)
Loss on early redemption of promissory notes	**4,878**	5,600
Depreciation of property, plant and equipment	**16,821**	34,918
Allowance for impairment on trade receivables, net	**890**	980
(Gain)/loss on disposal of property, plant and equipment	**(287)**	70
Interest income	**(707)**	(2,788)
Write-down of inventories	**19**	21,971
Gain on disposal of short-term investment	**–**	(21)
Loss on extinguishment of convertible notes to bonds	**–**	39,014
Changes in working capital:		
Decrease in inventories	**7,063**	6,344
Decrease/(increase) in trade and bills receivables	**107,768**	(194,247)
(Increase)/decrease in other receivables and prepayments	**(111,332)**	37,521
Increase in amount due from a related company	**(34,227)**	(11,624)
Increase/(decrease) in trade and bills payables	**83,091**	(29,249)
Increase in other payables and accruals	**30,774**	3,909
Decrease in amount due to a director	**(14)**	–
Cash generated from/(used in) operations	**121,064**	(122,458)
Income tax paid	**(3,877)**	(5,501)
Income tax refunded	**–**	283
Net cash generated from/(used in) operating activities	**117,187**	(127,676)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Investing activities			
Interest received		**707**	2,788
Acquisition of property, plant and equipment		**(21,879)**	(22,942)
Net cash (outflow)/inflow from disposal of subsidiaries	39	**(14,810)**	64,165
Proceeds from disposal of property, plant and equipment		**950**	1,393
Proceeds from disposal of short-term investment		**–**	1,066
Payment for interest element on finance lease obligations		**(30)**	–
Payment for capital element of finance lease obligations		**(315)**	–
Net cash (used in)/generated from investing activities		**(35,377)**	46,470
Financing activities			
Interest paid		**(16,671)**	(35,630)
Proceeds from new bank loans		**3,324**	423,685
Repayment of bank loans		**(12,618)**	(332,510)
(Increase)/decrease in restricted bank deposits		**(98,670)**	25,198
Decrease in amounts due to directors		**–**	(3,181)
Payment of loan from a former director		**–**	(64,176)
Redemption of promissory notes		**(70,272)**	(52,980)
Proceeds from issue of unlisted warrants		**–**	5,630
Proceeds from issue of new shares upon exercise of unlisted warrants		**126,953**	82,234
(Decrease)/increase in amounts due to related companies		**(33,660)**	69,757
Net cash (used in)/generated from financing activities		**(101,614)**	118,027
Net (decrease)/increase in cash and cash equivalents		**(19,804)**	36,821
Cash and cash equivalents at beginning of year		**65,116**	30,449
Effect of foreign exchange rate changes		**(2,792)**	(2,154)
Cash and cash equivalents at end of year	24	**42,520**	65,116

Notes:

Material non-cash transactions:

(i) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of RMB1,405,000.

(ii) Loan from a former director was set off against the consideration receivable for the disposal of subsidiaries as detailed in note 39(a).

The notes on pages 41 to 113 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

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

The Company is an investment holding company. On 17 June 2013, the Group disposed of certain subsidiaries, namely Huawei Group Holdings Limited and its subsidiaries (the "Huawei Group"), which were engaged in manufacture and sale of aluminum electrolytic capacitors. Accordingly, the operation is classified as discontinued operations (see note 10 (a) for details). As a result, the comparative figures of the income statement, statement of comprehensive income have been represented to conform with the current year's presentation.

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

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

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

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

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

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

HKFRS 10 – Consolidated financial statements

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

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

HKFRS 11 – Joint arrangements

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

HKFRS 12 – Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 20.

HKFRS 13 – Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 4(e). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009–2011 Cycle

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

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

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following liabilities are stated at their fair value as explained in the accounting policies set out below:

– embedded derivatives in convertible notes (see note 3(q))

– embedded derivatives in bonds (see note 3(r))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in the subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 3(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Joint arrangements

(i) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investments in the joint venture.

Unrealised profits or losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements (Continued)

(i) Joint ventures (Continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former investee at the date when the control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3(g)).

(ii) Interests in joint operations

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

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

– its assets, including its share of any assets held jointly;

– its liabilities, including its share of any liabilities held jointly;

– its revenue from the sale of its share of the output arising from the joint operation;

– its share of the revenue from the sale of the output by the joint operation; and

– its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(e) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combination (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

– assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as "measurement period" adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combination (Continued)

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts that are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained within one year about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit during the year, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in equity securities (Continued)

When the investments are derecognised or impaired (see note 3(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 3(k).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	4.5%
Plant and machinery	9%
Furniture and office equipment	18%
Electronic equipment	9% – 18%
Motor vehicles	9%
Leasehold improvement	20%
Operating assets for energy saving projects	Over the shorter of estimated useful lives and the unexpired contractual term of the projects

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between these parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses (see note 3(k)). Cost comprises the direct costs of construction as well as borrowing costs (see note 3(v)) during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are stated at cost less accumulated amortization (where the estimated life is finite) and impairment loss (see note 3(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the shorter of assets' estimated useful lives and the remaining contractual periods as follows:

Patents	3.67 to 6.75 (2012: 4.67 to 7.75) years
Trademarks	8.92 (2012: 9.92) years
Customer relationships	12.42 (2012: 13.42) years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised when their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible asset with finite life as set out above.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the property, plant and equipment and the corresponding liabilities, net of payments, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3 (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(k)(ii).

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade receivables and other current receivables and other financial assets carried at amortised cost, 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 of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investments in subsidiaries in the Company's statement of financial position;

– property, plant and equipment;

– lease prepayments;

– goodwill; and

– other intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 3(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(k)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Convertible notes

(i) Convertible notes that contains an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 3 (p)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 3 (p). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(r) Bonds

Bonds issued by the Company that contain both liability and embedded derivatives (put option at the discretion of the bondholder to early redeem and call option at the discretion of the issuer to redeem the bonds that are not closely related to the host liability component) are classified separately into respective item on initial recognition. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the bonds is carried at amortised cost using the effective interest method. The put option and call option are measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained profits/accumulated losses.

(t) Promissory notes

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits (Continued)

(iii) Termination benefits

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

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(y) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(y)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(y)(ii).

(ii) Other provisions and contingent liabilities

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

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

(z) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Translation of foreign currencies (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Commission income

Commission income is recognised when the agency services are rendered to customers.

(iii) Service income

For provision for energy saving services, service income is recognised with reference to the energy savings which are taken to be the point when the customer has accepted it over the service period.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest rate.

(v) Rental income

Rental income from leasing of property, plant and machinery is recognised in accordance with the terms of the lease agreements.

(vi) Subcontracting income

Subcontracting income is recognised when the subcontracting services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Discontinued operations

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

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

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank and cash and cash equivalents, convertible notes, promissory notes, trade and other receivables and trade and other payables. The Group's activities expose it to a variety of finance risks, including credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies with credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment to which the customer operates. These receivables are due from 90 to 180 days from the date of billing. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level. The Group's trade receivables related to a large number of diversified customers, the concentration of credit risk is not significant.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

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

The Group

	2013				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and bills payables	**24,965**	**24,965**	**24,965**	**–**	**–**
Other payables and accruals	**15,533**	**15,533**	**15,533**	**–**	**–**
Amount due to a director	**571**	**571**	**571**	**–**	**–**
Obligations under finance leases	**1,090**	**1,169**	**391**	**391**	**387**
Bank loans	**3,324**	**3,424**	**3,424**	**–**	**–**
Bonds payable	**65,283**	**77,760**	**77,760**	**–**	**–**
	110,766	**123,422**	**122,644**	**391**	**387**

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Group (Continued)

	2012				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and bills payables	182,672	182,672	182,672	–	–
Other payables and accruals	33,794	33,794	33,794	–	–
Amount due to a director	585	585	585	–	–
Amount due to a former director	97,442	97,442	1,178	96,264	–
Amount due to a former shareholder	144	144	144	–	–
Amounts due to related companies	42,888	42,888	42,888	–	–
Bank loans	285,303	300,476	300,476	–	–
Promissory notes payable	15,145	16,204	16,204	–	–
Bonds payable	58,343	100,800	5,760	5,760	89,280
	716,316	775,005	583,701	102,024	89,280

The Company

	2013				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**
Other payables and accruals	**266**	**266**	**266**	**–**	**–**
Amounts due to subsidiaries	**46**	**46**	**46**	**–**	**–**
Amount due to a director	**305**	**305**	**305**	**–**	**–**
Bonds payable	**65,283**	**77,760**	**77,760**	**–**	**–**
	65,900	**78,377**	**78,377**	**–**	**–**

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Company (Continued)

	2012				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Other payables and accruals	805	805	805	–	–
Amounts due to subsidiaries	14,327	14,327	14,327	–	–
Amount due to a director	312	312	312	–	–
Loan from a former director	96,264	96,264	–	96,264	–
Promissory notes payable	15,145	16,204	16,204	–	–
Bonds payable	58,343	100,800	5,760	5,760	89,280
	185,196	228,712	37,408	102,024	89,280

(c) Interest rate risk

The Group's interest rate risk primarily derives from bank borrowings and time deposits and cash at banks. The Group did not use derivative financial instruments to hedge its debt obligations.

(i) **Interest rate profile**

The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:

The Group

	2013		2012	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate:				
Bank borrowings	**–**	**–**	5% – 9.18%	250,027
Promissory notes payable	**–**	**–**	9.18%	15,145
Bonds payable	**18.68%**	**65,283**	18.68%	58,343
Obligations under finance leases	**3.87% – 4.41%**	**1,090**	–	–
Variable rate:				
Bank borrowings	**3%**	**3,324**	1.73% – 2.2%	35,276
Total borrowings		**69,697**		358,791
Net fixed rate borrowings as a percentage of total borrowings		**95%**		90%
Variable rate:				
Cash at banks and in hand	**0.001% – 0.35%**	**42,520**	0.001% – 0.35%	64,688
Restricted time deposits	**0.01%**	**12,170**	3.05% – 3.3%	42,504
		54,690		107,192

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company

	2013		2012	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate:				
Promissory notes payable	**–**	**–**	9.18%	15,145
Bonds payable	**18.68%**	**65,283**	18.68%	58,343
Total borrowings		**65,283**		73,488
Variable rate:				
Cash at banks and in hand	**0.001% – 0.35%**	**11,484**	0.001% – 0.35%	27,904

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after taxation for the year and accumulated losses by approximately RMB410,000 (2012: RMB719,000). Other components of equity would not be affected (2012: RMB Nil) by the changes in interest rates.

The sensitive analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the financial instruments exposed to interest rate risk for variable rate interest bearing financial instruments as if they had been in existence at the beginning of the year. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through its trade receivables and bank deposits that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State dollars ("US$") and Euro ("EUR").

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entities within the Group to which they relate.

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents				
US$	**547**	2,626	**–**	–
EUR	**449**	–	**–**	–
Trade receivables				
US$	**–**	32,030	**–**	–
Bank loans				
US$	**–**	(94,104)	**–**	–
Bonds				
RMB	**(65,283)**	(58,343)	**(65,283)**	(58,343)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses and other components of equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

The Group

	2013			2012		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after taxation and accumulated loss RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits RMB'000	Effect on other components of equity RMB'000
US$	**5%**	**(27)**	**–**	5%	2,972	–
	(5%)	**27**	**–**	(5%)	(2,972)	–
RMB	**5%**	**3,264**	**–**	5%	2,917	–
	(5%)	**(3,264)**	**–**	(5%)	(2,917)	–
EUR	**5%**	**(22)**	**–**	5%	–	–
	(5%)	**22**	**–**	(5%)	–	–

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Company

	2013 Increase/ (decrease) in foreign exchange rates	**2013** Effect on loss after taxation and accumulated loss RMB'000	**2013** Effect on other components of equity RMB'000	2012 Increase/ (decrease) in foreign exchange rates	2012 Effect on loss after taxation and retained profits RMB'000	2012 Effect on other components of equity RMB'000
RMB	**5%**	**3,264**	**–**	5%	2,917	–
	(5%)	**(3,264)**	**–**	(5%)	(2,917)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of reporting period. The analysis is performed on the same basis for 2012.

(e) Fair values

(i) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, catergorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's and the Company's liabilities that are measured at fair value as at 31 December 2013 and 2012:

The Group and the Company	**Level 1** RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
2013			
Liabilities			
– Put and call options embedded in bonds (note 30)	–	–	12,846
2012			
Liabilities			
– Put and call options embedded in bonds (note 30)	–	–	9,304

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

During the years ended 31 December 2013 and 2012, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	2013 RMB'000	2012 RMB'000
Conversion option embedded in convertible notes (note 29)		
At 1 January	**–**	(61,893)
Conversion during the year	**–**	8,116
Change in fair value recognised in profit or loss during the year	**–**	11,932
Extinguishment during the year	**–**	41,845
At 31 December	**–**	–
Put and call options embedded in bonds (note 30)		
At 1 January	**(9,304)**	–
At date of issue	**–**	(11,995)
Change in fair value recognised in profit or loss during the year	**(3,542)**	2,691
At 31 December	**(12,846)**	(9,304)

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful lives and residue values of property, plant and equipment and other intangible assets
Useful lives of the Group's property, plant and equipment and other intangible assets are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation or amortisation expense in future periods.

(b) Impairment of property, plant and equipment and lease prepayments
Property, plant and equipment and lease prepayments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of turnover and the amount of operating costs. No impairment was provided during the year.

(c) Impairment of investments in subsidiaries
The Company has make impairment on investments in subsidiaries when the related recoverable amounts of the investments in subsidiaries, with reference to their financial position and performance, are estimated to be less than their carrying amounts.

(d) Impairment of trade receivables and other receivables
The Group makes allowance for impairment on trade and other receivables based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history and subsequent settlements of each customer of the Group up to the date of approval of the financial statements. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Estimated recoverable amount of goodwill
Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and an appropriate discount rate in order to calculate the present value where the expected future cash flows arising from the relevant cash generating units differ from the cash generating units containing goodwill using an appropriate discount rate. Details of the recoverable amount calculations are disclosed in note 18.

At 31 December 2013, the estimated recoverable amount of cash generating units were lower than their carrying amounts, provision for impairment loss on goodwill of approximately of RMB197,045,000 (note 18) has been recognised for the year ended 31 December 2013.

Had the parameters for the projected future cash flows of the cash generating units of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill would have been significantly different and further impairment may arise.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Impairment of other intangible assets with finite useful lives

The Group tests whether other intangible assets which have finite useful lives have suffered any impairment whenever there is any indication that the other intangible assets have been impaired. The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable other intangible assets. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. The recoverable amounts of these other intangible assets have been determined based on the value-in-use calculations, which have been estimated using discounted cash flow method. The directors consider that the recoverable amount exceeded the carrying amount of the other intangible assets and no impairment was recognised during the year. The carrying amount of other intangible assets which have finite useful lives at the end of the reporting period was approximately RMB587,244,000 (2012: RMB658,624,000).

Had the parameters for the projected future cash flows of the cash generating units of the other intangible assets and the discount rates been different, the estimated recoverable amount of each of other intangible assets would have been significantly different and impairment may arise.

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are made with reference to the aged inventories analyses, projection of expected sales volume and management experience and judgement. Based on this review, write down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(h) Income taxes

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

(i) Going concern basis

The financial statements have been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The directors of the Company have made due care and considerations concerning the appropriateness of the going concern in light of the Group's current financial position. After having taken into account of the cash flow forecast of the Group for a period of eighteen months from 1 January 2014 to 30 June 2015, new funding to be raised of under the unlisted warrants issued by the Company (note 36), in the opinion of the directors of the Company, the Group will be able to continue its business as a going concern for the next twelve months.

(j) Functional currency of the Company

The Company has been carrying its operating activities and making arrangement decision in Hong Kong and has a significant degree of autonomy from its subsidiaries in the PRC in the way its business is managed. In the opinion of the directors of the Company, its functional currency is Hong Kong dollars.

6. TURNOVER AND REVENUE AND SEGMENT REPORTING

(a) Turnover and revenue

The Group is principally engaged in the manufacture, sales and distribution of LED lighting products and energy saving services.

Turnover represents the sales value of goods supplied to customers and service income from distribution of LED lighting products and energy saving projects. The amount of each significant category of revenue recognised in turnover during the year is as follows:

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

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

(b) Segment reporting

Information is reported to the Group's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. Previously, the Group was also engaged in manufacture and sale of aluminum electrolytic capacitors. As set out in note 10, these manufacture and sale operations were discontinued with effect from 17 June 2013 to realign the Group's business focus and resources in the LED lighting business in line with the Group's latest business strategy.

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

6. TURNOVER AND REVENUE AND SEGMENT REPORTING (Continued)

(c) Geographical information

The Group's revenue from external customers by location of delivery of goods and/or services to the customers and information about the Group's non-current assets by geographical location of assets regarding its continuing operations are detailed below:

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**111,385**	174,014	**713,792**	914,883
Hong Kong	**45,841**	129,615	**39,583**	50,099
Spain	**3,395**	–	**66,286**	106,733
Other countries	**6,589**	–	**–**	–
	167,210	303,629	**819,661**	1,071,715

(d) Major customers

During the years ended 31 December 2013 and 2012, there is no major customer accounted for more than 10% of the total revenue of the Group.

7. OTHER REVENUE AND INCOME

	2013	2012
	RMB'000	RMB'000
		(Restated)
Continuing operations		
Other revenue		
Bank interest income	**27**	128
Rental income from property, plant and equipment	**2,000**	3,924
Sub-contracting income	**2,051**	1,054
Scrap sales	**2,782**	1,548
	6,860	6,654
Continuing operations		
Other income		
Gain on disposal of property, plant and equipment	**287**	–
Exchange gain, net	**1,704**	677
Others	**–**	40
	1,991	717

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations		
(a) Finance costs		
Finance charges on obligations under finance leases	**30**	–
Imputed interest on promissory notes	**572**	1,798
Imputed interest on convertible notes	**–**	20,018
Interest on bonds	**9,158**	712
Total interest expense on financial liabilities not at fair value through profit or loss	**9,760**	22,528
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**28,373**	20,080
Contributions to defined contribution retirement plans	**820**	612
Total staff costs	**29,193**	20,692
(c) Other items		
Amortisation of other intangible assets		
– Customer relationships	**34,207**	34,207
– Patents	**32,173**	32,173
– Trademarks	**5,000**	5,000
	71,380	71,380
Impairment loss on goodwill	**197,045**	–
Depreciation of property, plant and equipment	**6,227**	5,917
Impairment loss on trade receivables	**153**	–
Operating lease charges in respect of land and buildings	**5,775**	5,585
Auditor's remuneration		
– Audit services	**689**	720
– Non-audit services	**117**	264
Loss on disposal of property, plant and equipment	**–**	30
Research and development expenditure	**482**	513
Cost of inventories consumed	**94,762**	213,820

Notes:

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

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

9. INCOME TAX

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

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

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

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

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

(b) Reconciliation between income tax credit and accounting loss at applicable tax rates:

	2013 RMB'000	2012 RMB'000 (Restated)
Loss before taxation from continuing operations	**(255,628)**	(62,327)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**(47,776)**	(13,462)
Tax effect of non-deductible expenses	**41,109**	11,740
Tax effect of non-taxable income	**(786)**	(2,585)
Tax effect of deductible temporary differences not recognised	**–**	(3)
Tax effect of tax losses not recognised	**1,132**	981
Over-provision in respect of prior year	**–**	(20)
Tax effect of tax losses utilised	**1,045**	(212)
Income tax credit	**(5,276)**	(3,561)

10. LOSS FROM DISCONTINUED OPERATIONS

(a) Discontinued operations – 2013

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

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

	2013 **RMB'000**
Net loss for the year from discontinued operations	**(20,798)**
Gain on disposal of subsidiaries (note 39(a))	**13,990**
	(6,808)

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

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

10. LOSS FROM DISCONTINUED OPERATIONS (Continued)

(a) Discontinued operations – 2013 (Continued)

An analysis of the cash flows of the discontinued operations:

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

(b) Discontinued operations – 2012

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

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

	2012 RMB'000
Net loss for the year from discontinued operations of	
– Chip type electronic components (note (b)(i))	(2,400)
– Aluminum electrolytic capacitors in Huawei Group (note (a))	(63,351)
– Aluminum electrolytic capacitors in Southern China (note(b)(ii))	(6,789)
Gain on disposal of subsidiaries (note 39(b))	3,665
	(68,875)

10. LOSS FROM DISCONTINUED OPERATIONS (Continued)

(b) Discontinued operations – 2012 (Continued)

(i) Loss from the chip type electronic components operation

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

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

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

10. LOSS FROM DISCONTINUED OPERATIONS (Continued)

(b) Discontinued operations – 2012 (Continued)

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

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

11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2013 RMB'000
Executive Directors							
Li Wing Sang	285	1,140	119	–	–	12	1,556
Liu Xinsheng	285	–	–	–	–	–	285
Chiu Chi Hong	285	950	95	–	–	12	1,342
Independent non-executive Directors							
Tam Tak Wah	143	–	–	–	–	–	143
Ng Wai Hung	143	–	–	–	–	–	143
Lau Wan Cheung	143	–	–	–	–	–	143
	1,284	2,090	214	–	–	24	3,612

11. DIRECTORS' EMOLUMENTS (Continued)

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2012 RMB'000
Executive Directors							
Li Wing Sang	292	975	–	–	–	11	1,278
Yan Qixu (Resigned on 1 September 2012)	–	290	–	–	–	–	290
Liu Xinsheng	292	–	–	–	–	–	292
Chiu Chi Hong	292	779	–	–	–	11	1,082
Independent non-executive Directors							
Tam Tak Wah	146	–	–	–	–	–	146
Ng Wai Hung	146	–	–	–	–	–	146
Lau Wan Cheung	146	–	–	–	–	–	146
	1,314	2,044	–	–	–	22	3,380

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (note 12) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: four) are directors of the Company whose emoluments are disclosed in note 11. The emoluments payable to the remaining three (2012: one) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and other benefits	**1,234**	408
Contributions to defined contribution retirement schemes	**34**	11
	1,268	419

The emoluments of the individuals with the highest emoluments fell within the band of Nil to HK$1,000,000 (equivalent to approximately RMB792,000) (2012: Nil to HK$1,000,000 (equivalent to approximately RMB812,000)).

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company includes a loss of RMB193,172,000 (2012: RMB82,869,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

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

15. LOSS PER SHARE

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

Loss attributable to owners of the Company

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

Weighted average number of shares

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

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

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Operating assets for energy saving projects RMB'000	Furniture and office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost									
At 1 January 2012	59,412	281,833	–	14,793	9,281	9,114	790	36,023	411,246
Additions	955	15,224	–	1,168	2,921	198	1,937	539	22,942
Disposals	–	(2,064)	–	–	(45)	–	(42)	–	(2,151)
Reclassification	3,003	10,203	–	–	–	–	–	(13,206)	–
Exchange adjustments	–	–	–	(3)	–	–	(8)	–	(11)
Disposal of subsidiaries	(15,170)	(40,839)	–	(8,279)	–	(5,041)	–	–	(69,329)
At 31 December 2012 and 1 January 2013	**48,200**	**264,357**	**–**	**7,679**	**12,157**	**4,271**	**2,677**	**23,356**	**362,697**
Additions	**224**	**5,678**	**11,639**	**950**	**369**	**2,948**	**1,281**	**195**	**23,284**
Disposals	**–**	**(789)**	**–**	**–**	**–**	**–**	**–**	**–**	**(789)**
Reclassification	**22,849**	**702**	**–**	**–**	**–**	**–**	**–**	**(23,551)**	**–**
Exchange adjustments	**–**	**(21)**	**–**	**(8)**	**–**	**(34)**	**(21)**	**–**	**(84)**
Disposal of subsidiaries	**(71,273)**	**(218,385)**	**–**	**(5,486)**	**(12,526)**	**(2,961)**	**–**	**–**	**(310,631)**
At 31 December 2013	**–**	**51,542**	**11,639**	**3,135**	**–**	**4,224**	**3,937**	**–**	**74,477**
Accumulated depreciation									
At 1 January 2012	8,541	95,164	–	5,079	4,757	2,512	45	–	116,098
Charge for the year	2,977	26,187	–	2,695	1,499	1,272	288	–	34,918
Written back on disposal	–	(677)	–	–	–	–	(11)	–	(688)
Exchange adjustments	–	–	–	–	(40)	–	(2)	–	(42)
Disposal of subsidiaries	(1,803)	(16,321)	–	(4,335)	–	(1,820)	–	–	(24,279)
At 31 December 2012 and 1 January 2013	**9,715**	**104,353**	**–**	**3,439**	**6,216**	**1,964**	**320**	**–**	**126,007**
Charge for the year	**1,268**	**12,083**	**510**	**915**	**734**	**683**	**628**	**–**	**16,821**
Written back on disposal	**–**	**(126)**	**–**	**–**	**–**	**–**	**–**	**–**	**(126)**
Exchange adjustments	**–**	**(47)**	**–**	**(2)**	**–**	**(5)**	**(7)**	**–**	**(61)**
Disposal of subsidiaries	**(10,983)**	**(101,877)**	**–**	**(3,250)**	**(6,950)**	**(1,939)**	**–**	**–**	**(124,999)**
At 31 December 2013	**–**	**14,386**	**510**	**1,102**	**–**	**703**	**941**	**–**	**17,642**
Carrying amount									
At 31 December 2013	**–**	**37,156**	**11,129**	**2,033**	**–**	**3,521**	**2,996**	**–**	**56,835**
At 31 December 2012	38,485	160,004	–	4,240	5,941	2,307	2,357	23,356	236,690

Notes:

(a) All of the Group's buildings and plant and machinery are located in the PRC. The carrying amount of the properties of the Group comprises buildings on land under medium-term leases in the PRC.

(b) At 31 December 2012, certain buildings and plant and machinery with an aggregate carrying amount of RMB31,170,000 were pledged as security to a bank for a bank loan and banking facilities granted to the Group.

(c) The operating assets represented mainly the costs of LED lights installed in relation to energy saving projects under the energy saving contracts are disclosed in note 20(c)(iii) below. The costs of these operating assets are capitalised and amortised, on a straight-line basis, over the shorter of the useful lives of these assets and the remaining contractual periods of the respective contracts.

17. LEASE PREPAYMENTS

	The Group 2013 RMB'000	2012 RMB'000
Cost		
At 1 January	**4,159**	19,659
Disposal of subsidiaries (note 39)	**(4,159)**	(15,500)
At 31 December	**–**	4,159
Accumulated amortisation		
At 1 January	**400**	741
Charge of the year	**42**	401
Disposal of subsidiaries (note 39)	**(442)**	(742)
At 31 December	**–**	400
Carrying amount		
At 31 December	**–**	3,759
Analysed as:		
Current portion	**–**	83
Non-current portion	**–**	3,676
	–	3,759

Note:

(a) Lease prepayments represented payments for land use rights of the medium-term leasehold lands in the PRC, which have remaining terms ranging from 40 to 45 years and were disposed of during the year.

18. GOODWILL

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

18. GOODWILL (Continued)

The goodwill arising from the business combinations in 2011 represented their respective workforce, expected future profitability and/or synergies with the existing LED lighting related businesses.

Impairment testing on goodwill

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

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

Analysis of carrying amounts of goodwill allocated to the CGUs and impairment recognised during the year are as follows:

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

18. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

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

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

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

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

19. OTHER INTANGIBLE ASSETS

The Group

	Customer relationships RMB'000	Patents RMB'000	Trademarks RMB'000	Total RMB'000
Cost				
At 31 December 2012 and 2013	**478,900**	**243,300**	**50,000**	**772,200**
Amortisation				
At 1 January 2012	20,614	21,166	416	42,196
Charge for the year	34,207	32,173	5,000	71,380
At 31 December 2012 and 1 January 2013	**54,821**	**53,339**	**5,416**	**113,576**
Charge for the year	**34,207**	**32,173**	**5,000**	**71,380**
At 31 December 2013	**89,028**	**85,512**	**10,416**	**184,956**
Carrying amount				
At 31 December 2013	**389,872**	**157,788**	**39,584**	**587,244**
At 31 December 2012	424,079	189,961	44,584	658,624

The Group's other intangible assets arose from the acquisition of subsidiaries during the year ended 31 December 2011 and were revalued as of the completion dates of acquisitions and at 31 December 2013 by Peak Vision, an independent firm of professional and qualified valuers.

The recoverable amounts of the Group's other intangible assets are individually determined as individual CGUs based on value-in-use calculations as of the end of the reporting period. These calculations individually use cash flow projections based on financial budgets approved by the management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.68% (2012: 2.87%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the Group's other intangible assets belong to. The appraiser estimates the discount rates as presented below, using the Capital Assets Pricing Model based on stock prices of certain comparable companies listed on the Stock Exchange, plus a risk premium to reflect the specific risk of the Group's other intangible assets.

	Pre-tax discount rate	Growth rate beyond 5 years
Customer relationships	22.92% to 30.51%	2.68%
Patents	23.68% to 42.15%	2.68%
Trademarks	22.15%	2.68%

Based on the assessments on the recoverable amount of each of the other intangible assets as at 31 December 2013, no impairment on other intangible assets was required.

Customer relationships, patents and trademarks have finite useful lives and are amortised on a straight-line basis over the shorter of the useful lives and their remaining contractual periods as follows:

Customer relationships	12.42 (2012: 13.42) years
Patents	3.67 to 6.75 (2012: 4.67 to 7.75) years
Trademarks	8.92 (2012: 9.92) years

20. INVESTMENTS IN SUBSIDIARIES

	The Company 2013 RMB'000	2012 RMB'000
At cost		
Unlisted shares	**69**	176,218
Equity loan to a subsidiary (note a)	**822,738**	759,382
	822,807	935,600
Less: Impairment loss (note b)	**(163,388)**	(43,725)
Investments in subsidiaries, net	**659,419**	891,875

Notes:

(a) The equity loan to a subsidiary is accounted for, in substance, as equity contribution by the Company to provide for capital of this subsidiary, interest-free and will not be demanded for repayment.

(b) An allowance for the Company's investment in subsidiaries of RMB163,388,000 (2012: RMB43,725,000) was recognised as at 31 December 2013 because the estimated recoverable amount of interests in the subsidiaries, determined with reference to the net assets of those subsidiaries at the end of the reporting period, was estimated to be less than their carrying amounts.

(c) The following list contains the particulars of subsidiaries of the Group as at 31 December 2013. The class of shares held is ordinary, unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
SunTech Holdings Limited	BVI	US$10,000	100 (2012: 100)	–	Investment holding
SunTech Resources Group Company Limited	BVI	US$10,000	–	100 (2012: 100)	Investment holding
LEDUS Lighting Holdings Limited	BVI	US$10,000	–	100 (2012: Nil)	Investment holding
LEDUS Lighting Holdings Limited	Hong Kong	HK$10,000,000	–	100 (2012: Nil)	Dormant
Energy First International Limited	BVI	US$10,000	–	100 (2012: 100)	Investment holding
LEDUS Group Limited (formerly known as SunTech Resources International Company Limited)	Hong Kong	HK$10,000	–	100 (2012: 100)	Provision of administrative services
Giga-World Industry Company Limited ("Giga-World") (note iv) (note 38(a))	Hong Kong	HK$2,500,000	–	60 (2012: 50)	Investment holding and provision of agency services
深圳風光新能源有限公司 Shenzhen Wind and Solar New Energy Company Limited (note i)	PRC	HK$38,000,000	–	60 (2012: 50)	Manufacture and sale of LED lighting products
Shine Link Technology Limited	BVI	US$10,000	–	100 (2012: 100)	Investment holding
U Young Technology Holdings Limited (note 38(b))	Hong Kong	HK$10,000	–	100 (2012: 70)	Investment holding and provision of agency services

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
尤陽（廈門）光電科技有限公司 U Young (Xiamen) Technology Company Limited (note i)	PRC	US$2,100,000	–	100 (2012: 70)	Manufacture and sale of LED lighting products
Kings Honor Technology Limited ("Kings Honor")	BVI	US$10,000	–	60 (2012: 60)	Investment holding
Wei Guang Holdings Limited	Hong Kong	HK$10,000,000	–	60 (2012: 60)	Investment holding and trading of LED lighting products
江西藍田偉光科技有限公司 Jiangxi Lantian Wei Guang Technology Company Limited	PRC	HK$10,000,000	–	57 (2012: 57)	Manufacture and sale of LED lighting products
Pacific King Technology Limited ("Pacific King")	BVI	US$10,000	–	60 (2012: 60)	Investment holding
Da Zhen (Hong Kong) Holdings Limited	Hong Kong	HK$10,000,000	–	60 (2012: 60)	Investment holding and trading of LED lighting products
深圳市崇正電子科技有限公司 Shenzhen Chong Zhen Electronics Technology Company Limited (note i)	PRC	HK$10,000,000	–	60 (2012: 60)	Manufacture and sale of LED lighting products
Starry View Investments Limited	BVI	US$10,000	–	100 (2012: 100)	Investment holding
LEDUS Lighting Technology Limited (formerly known as Light Resource Environment Company Limited)	Hong Kong	HK$10,000,000	–	100 (2012: 100)	Investment holding and trading of LED lighting products
Light Resource Environment Limited (note ii)	Macau	MOP$100,000	–	65 (2012: 65)	Dormant
Meeting (Hong Kong) Holdings Limited	Hong Kong	HK$10,000	–	60 (2012: 60)	Investment holding
上海米廷電子科技有限公司 Shanghai Meeting Electronic Technology Company Limited (note i)	PRC	US$1,500,000	–	60 (2012: Nil)	Trading of LED lighting products
Mega Wide Investments Limited	BVI	US$10,000	–	100 (2012: 100)	Investment holding
Tecdoa Limited	Hong Kong	HK$10,000	–	70 (2012: 70)	Investment holding
Tecdoa Energy S.A. (notes (ii) and (iii))	Spain	EUR15,000	–	70 (2012: 70)	Provision of energy saving services and trading of LED lighting products
Speedy Marble Limited	BVI	US$10,000	–	100 (2012: Nil)	Investment holding

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
SunTech Lighting Technology Company Limited	Hong Kong	HK$10,000,000	–	100 (2012: Nil)	Dormant
Champion Miracle Limited	BVI	US$50,000	–	100 (2012: Nil)	Investment holding
Big Success International Investment Limited	Hong Kong	HK$10,000,000	–	100 (2012: Nil)	Investment holding

(i) These entities are wholly-owned foreign enterprises established in the PRC.

(ii) This entity is a limited liability company.

(iii) Based on the partnership agreements dated 12 June 2012 and 1 May 2013 made between Tecdoa Energy S.A. and Indra Sistemas, S.A., an independent third party, *Union Temporal de Empresas of the Law* (the "UTE"), which is a form of non-equity consortium in Spain, UTE of Tarancon and UTE of Jaen were formed on 15 October 2012 and 18 July 2013, respectively, in relation to the supply of and provision of installation and maintenance of the public LED lights in Spain.

On 16 October 2012 and 4 July 2013, the UTE of Tarancon and UTE of Jaen, which were established by Tecdoa Energy S.A. and Indra Sistemas, S.A., each of UTE of Tarancon and UTE of Jaen entered into a contract with each of the Town Council of Tarancon and Jaen in Spain, pursuant to which, the UTE of Tarancon and UTE of Jaen have been awarded energy saving contracts for the provision of the installation and maintenance of the public LED lights for the Town of Tarancon and Jaen in Spain for a period of 16 years commencing from January 2013 and November 2013, respectively, and the income from these energy saving contracts is determined by the efficiency and energy saving arising from the LED lights.

Based on the terms of the partnership agreements dated 12 June 2012 and 1 May 2013, Tecdoa Energy S.A. and Indra Sistemas S.A. are responsible for the supply and installation of LED lights, which are manufactured by the Group, and the provision of maintenance and repairs of these LED lights, respectively, during the period of the energy saving contracts. The share of the income from the energy saving contracts by each of Tecdoa Energy S.A. and Indra Sistemas S.A. are specified in the two partnership agreements. The arrangements for the UTE of Tarancon and UTE of Jaen are regarded as joint operations and the investment in the two energy saving contracts by Tecdoa Energy S.A. is accounted for in accordance with the accounting policy as set out in note (3)(d) to the financial statements. All of the costs of the installed LED lights, supplied by the Group, under the energy saving contracts are capitalised and depreciated, on a straight line basis, over the shorter of their useful lives and the remaining periods of the energy saving contracts as referred to in note 16 to the financial statements.

(iv) Pursuant to an agreement dated 31 January 2011 made with the non-controlling interest of Giga-World, the Group can effectively command 60% voting rights of Giga-World. During the year, as set out in note 38(a), the Group acquired additional 10% equity interest in Giga-World from the non-controlling interest.

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) The following table lists out the information in respect of each of the Group's subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 December 2013

	Giga-World and its subsidiaries RMB'000	**Kings Honor and its subsidiaries RMB'000**	**Pacific King and its subsidiaries RMB'000**
NCI percentage	**40%**	**43%**	**40%**
Current assets	**56,389**	**66,879**	**51,191**
Non-current assets	**304,125**	**61,893**	**38,511**
Current liabilities	**(25,959)**	**(44,170)**	**(31,011)**
Non-current liabilities	**(71,371)**	**(11,703)**	**(7,659)**
Net assets	**263,184**	**72,899**	**51,032**
Carrying amount of NCI	**107,418**	**34,794**	**23,434**
Revenue	**29,895**	**73,154**	**43,746**
Profit/(Loss) for the year	**(18,034)**	**1,753**	**2,183**
Total comprehensive income/(Loss)	**(18,660)**	**1,800**	**2,250**
Profit/(Loss) allocated to NCI	**(6,783)**	**594**	**816**
Cash flows from operating activities	**(6,899)**	**3,521**	**7,462**
Cash flows from investing activities	**(211)**	**(317)**	**(3,751)**
Cash flows from financing activities	**8,280**	**(85)**	**464**

For the year ended 31 December 2012

	Giga-World and its subsidiaries RMB'000	Kings Honor and its subsidiaries RMB'000	Pacific King and its subsidiaries RMB'000
NCI percentage	50%	43%	40%
Current assets	28,137	60,225	41,625
Non-current assets	342,103	71,965	42,049
Current liabilities	(8,306)	(47,395)	(25,610)
Non-current liabilities	(80,090)	(13,853)	(9,432)
Net assets	281,844	70,942	48,632
Carrying amount of NCI	141,150	34,200	22,618
Revenue	11,667	85,101	51,293
Profit/(Loss) for the year	(28,142)	8,088	9,866
Total comprehensive income/(Loss)	(28,313)	8,165	9,947
Profit/(Loss) allocated to NCI	(14,071)	3,646	3,946
Cash flows from operating activities	(13,041)	6,287	(2,115)
Cash flows from investing activities	(27)	(11,423)	1,608
Cash flows from financing activities	7,040	5,465	315

21. INVENTORIES

	The Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**10,494**	26,992
Work-in-progress	**1,047**	15,557
Finished goods	**10,991**	90,116
	22,532	132,665

The analysis of the amount of inventories recognised as expenses for the continuing operations is as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Carrying amount of inventories sold	**94,762**	213,820

All of the other inventories are expected to be recovered within one year.

22. TRADE AND BILLS RECEIVABLES

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

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

22. TRADE AND BILLS RECEIVABLES (Continued)

(a) Aging analysis

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

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

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

(b) Impairment on trade receivables

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

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

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

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

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

22. TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

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

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

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

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

23. OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables and prepayments (note (a))	**78,377**	50,705	**–**	38
Temporary loan to a supplier (note (b))	**–**	6,529	**–**	–
Amount due from non-controlling shareholder of a subsidiary (note (c))	**6,987**	2,035	**–**	–
	85,364	59,269	**–**	38
Less: Allowance for doubtful debts (note (d))	**–**	(250)	**–**	–
	85,364	59,019	**–**	38
Payments in advance to suppliers	**8,717**	3,438	**–**	–
Value-added tax refundable	**427**	6,866	**–**	–
	94,508	69,323	**–**	38

Notes:

(a) Included in the balance of the other receivables and prepayments are the aggregate amount of RMB71,530,000 (2012: Nil) receivable from four independent third party principals under relevant agency agreements, which are interest free, due for repayment within one year and with collaterals as securities for repayment. The directors of the Company are of the opinion that, after taking into account of the past payment history and subsequent settlement of these principals and their collaterals, the balances due from the principals can be fully recoverable and no impairment is necessary at the end of the reporting period.

(b) Temporary loan to a supplier was unsecured, interest bearing at 5.31% per annum and was settled during the year.

(c) The amount due from 深圳市藍田偉光電子有限公司, is unsecured, interest-free and repayable on demand, and of which, RMB5,000,000 was settled after the end of reporting period.

(d) At 31 December 2012, other receivables of the Group amounted to RMB250,000 were individually determined to be impaired and full allowance for impairment had been provided. These individually impaired receivables were in financial difficulties. In the opinion of the directors of the Company, the recoverability of the balances was remote and full allowance for impairment was made at the end of the reporting period.

24. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks	**42,412**	64,688	**11,484**	27,904
Cash in hand	**108**	428	**–**	–
Cash at banks and in hand	**42,520**	65,116	**11,484**	27,904
Cash and cash equivalents in the consolidated statement of cash flows	**42,520**	65,116	**11,484**	27,904
Restricted bank deposits (note b)	**12,170**	42,504	**–**	–
	54,690	107,620	**11,484**	27,904

Notes:

(a) At 31 December 2013, the restricted bank deposits were denominated in Hong Kong Dollar. The interest rate on cash at banks as at 31 December 2013 ranged from 0.001% to 0.35% (2012: 0.001% to 0.35%) per annum.

(b) At 31 December 2013, the restricted bank deposits of RMB12,170,000 were pledged to a bank as security deposit made in favour of a bank in Spain for the performance bond issued in relation to the energy saving contract dated 22 July 2013 as referred to note 20(c)(iii).

At 31 December 2012, the restricted bank deposits of RMB42,504,000 were pledged as security for issuing bills payables to suppliers (note 25). The effective average interest rate on the restricted bank deposits ranged from 3.05% to 3.30% per annum.

25. TRADE AND BILLS PAYABLES

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

All of the trade and bills payables are expected to be settled within one year. Bills payables as at 31 December 2012 were secured by restricted bank deposits (note 24(b)).

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	The Group 2013 RMB'000	2012 RMB'000	The Company 2013 RMB'000	2012 RMB'000
Salaries and welfare payable	**2,607**	5,690	**–**	–
Amount payable for property, plant and equipment	**917**	7,699	**–**	–
Accrued audit fees	**689**	2,873	**86**	40
Others	**11,320**	17,532	**180**	765
Financial liabilities measured at amortised cost	**15,533**	33,794	**266**	805
Value-added tax payable	**12,539**	8,481	**–**	–
Receipts in advance	**159**	21,600	**–**	–
	28,231	63,875	**266**	805

All of the other payables and accruals are expected to be settled within one year. Accrued audit fee for 2012 was fully settled before the auditor commenced audit work for the current year.

27. BANK LOANS

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

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

Notes:

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

(b) At 31 December 2013, the Group's unsecured bank loans of RMB3,324,000 (2012: RMB215,155,000), bearing interest at HK$ best lending rate minus 2.25% per annum and by monthly repayment which will be fully repayable on 22 December 2014.

28. PROMISSORY NOTES PAYABLE

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

Notes:

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

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

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

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

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

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

28. PROMISSORY NOTES PAYABLE (Continued)

Notes: (Continued)

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

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

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

29. CONVERTIBLE NOTES

On 25 May 2011, the Company issued RMB84,000,000 10% coupon rate convertible notes with principal amount of RMB84,000,000.

On 2 November 2012, the Company and holder of the entire outstanding convertible notes with the principal amount of RMB72,000,000 entered into an agreement pursuant to which, on 7 December 2012, all the outstanding convertible notes were extinguished at the consideration settled by the Company's issue of new unlisted bonds of 8% coupon rate with principal amount of RMB72,000,000 ("Bonds"), 89 "Tranche 1 Unlisted Warrants" which entitle their holders to subscribe for 29,666,637 ordinary shares of HK$0.01 each of the Company at an exercise price of HK$3.00 per share and 88 "Tranche 2 Unlisted Warrants" which entitle their holders to subscribe for 45,128,248 ordinary shares of HK$0.01 of the Company at an exercise price of HK$1.95 per share. At 7 December 2013, the fair value of the Bonds of RMB60,322,000, Tranche 1 Unlisted Warrants of HK$40,161,000 (equivalent to approximately RMB32,281,000) and Tranche 2 Unlisted Warrants of HK$62,377,000 (equivalent to approximately RMB50,139,000) were determined by an independent valuer, Peak Vision. Loss on extinguishment of convertible notes of RMB39,014,000 was recognised in the profit or loss for the year ended 31 December 2012.

29. CONVERTIBLE NOTES (Continued)

The movement of the liability component and embedded derivatives of the convertible notes for the year ended 31 December 2012 was set out as follows:

	The Group and The Company		
	Embedded derivatives	**Liability component**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2012	61,893	68,001	129,894
Conversion into new ordinary shares	(8,116)	(10,581)	(18,697)
Imputed interest charged to profit or loss	–	20,018	20,018
Change in fair value	(11,932)	–	(11,932)
Repayment of interest	–	(15,555)	(15,555)
Carrying amount of convertible notes immediately before extinguishment	41,845	61,883	103,728
Fair value of financial instruments at issue date, for early extinguishment of convertible notes:			
– Bonds (note 30)			(60,322)
– Tranche 1 and Tranche 2 Unlisted Warrants (notes 36(c) & (d))			(82,420)
Loss on extinguishment			39,014
At 31 December 2012			–

30. BONDS PAYABLE

The unlisted bonds with principal amount of RMB72,000,000, which were issued on 7 December 2012 as part of the consideration for the extinguishment of convertible notes as referred to in note 30, are unsecured, bearing interest at the rate of coupon 8% per annum payable annually and will mature on 6 December 2017. The unlisted bonds are carried at amortised cost using the effective interest rate at 18.68% per annum.

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

30. BONDS PAYABLE (Continued)

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

	The Group and The Company		
	Embedded derivatives at fair value through profit or loss RMB'000	**Liability component at amortised cost basis** RMB'000	**Total** RMB'000
At 7 December 2012			
Issued upon extinguishment of convertible notes (note 29)	11,995	48,327	60,322
Interest charged to profit or loss	–	712	712
Change in fair value	(2,691)	–	(2,691)
At 31 December 2012 and 1 January 2013	**9,304**	**49,039**	**58,343**
Interest charged to profit or loss	**–**	**9,158**	**9,158**
Coupon interest paid	**–**	**(5,760)**	**(5,760)**
Change in fair value	**3,542**	**–**	**3,542**
At 31 December 2013	**12,846**	**52,437**	**65,283**
Analysed as:			
As non-current liabilities	–	–	–
As current liabilities	12,846	52,437	65,283
	12,846	52,437	65,283

31. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation

	The Group	
	2013 **RMB'000**	2012 RMB'000
Provision for Hong Kong Profits Tax for the year	**7,264**	4,382
PRC Enterprise Income Tax		
– Provision for the year	**5,343**	10,270
– Provisional tax paid	**(396)**	(821)
– Balance of tax provision relating to prior years	**12,970**	2,620
	25,181	16,451
Represented by:		
Income tax recoverable	**–**	–
Income tax payable	**(25,181)**	(16,451)
	(25,181)	(16,451)

31. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidate statement of financial position and the movements during the year are as follows:

	The Group					
	Customer relationships RMB'000	**Patents** RMB'000	**Trademarks** RMB'000	**Property, plant and equipment** RMB'000	**Withholding tax on unremitted earnings** RMB'000	**Total** RMB'000
At 1 January 2012	121,013	55,534	8,181	3,297	1,898	189,923
Disposal of subsidiaries (note 39(b))	–	–	–	(3,184)	(1,898)	(5,082)
Credited to profit or loss (note 9(a) and 10(b)(i))	(9,015)	(8,043)	(825)	(80)	–	(17,963)
At 31 December 2012 and 1 January 2013	**111,998**	**47,491**	**7,356**	**33**	**–**	**166,878**
Credited to profit or loss (note 9(a))	**(9,015)**	**(8,043)**	**(825)**	**–**	**–**	**(17,883)**
At 31 December 2013	**102,983**	**39,448**	**6,531**	**33**	**–**	**148,995**

(c) Deferred tax assets or liabilities not recognised

At the end of the reporting period, the Group has unused tax losses of RMB19,142,000 (2012: RMB19,977,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses expire at 31 December 2016. Potential deferred tax assets arising from temporary differences on allowance for impairment on trade and other receivables of RMB38,000 (2012: RMB5,073,000) and write down of inventories of Nil (2012: RMB5,493,000) have not been recognised as it is uncertain that such assets will be crystallised in the foreseeable future.

(d) Under the Enterprise Income Tax rules and regulations of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in profit or loss arising since 1 January 2008 because the Group is in a position to control the quantum and timing of the distribution thereof. Deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

32. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2013, the Group had obligations under finance leases repayable as follows:

	The Group			
	2013		2012	
	Total minimum lease payments RMB'000	**Present value of the minimum lease payments RMB'000**	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000
Within 1 year	**391**	**352**	–	–
After 1 year but within 2 years	**391**	**367**	–	–
After 2 years but within 5 years	**387**	**371**	–	–
After 5 years	**–**	**–**	–	–
	1,169	**1,090**	–	–
Less: total future interest expenses	**(79)**	**–**	–	–
	1,090	**1,090**	–	–
Less: Amount due for settlement within 12 months		**(352)**		–
Amount due for settlement after 12 months		**738**		–

33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and employees are each required to make contributions to the plan of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (2012: HK$25,000). Contributions to the plan vest immediately.

The PRC subsidiaries participates in several defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes certain percentage of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Scheme is to make the specified contributions. The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

34. SHARE OPTION SCHEME

Pursuant to a share option scheme (the "Share Option Scheme") approved by a resolution of the shareholders of the Company dated 26 July 2007, the Company may grant options to employees, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, or substantial shareholder of the Company, to attract and retain the best available personnel, to provide additional incentive to employees and to promote the success of the business of the Group. The subscription price of the share option of the Company is HK$1.00 upon each grant of options offered and the options granted must be taken up within seven days from the date of grant.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

The Share Option Scheme shall be valid and effective for a period of 10 years ending on 25 July 2017 after which no further options will be granted. The exercise price of the options will be at least the highest of: (a) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business date; (b) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of shares available for issue under the Share Option Scheme as at the end of the reporting period was 108,270,200 shares (2012: 30,000,000 shares) which represented 9.43% of the issued share capital of the Company as at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Share Option Scheme. At 31 December 2013, there were no outstanding share options (2012: Nil). No share option was granted during the years ended 31 December 2013 and 2012.

35. SHARE CAPITAL

	Number of shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:		
At 31 December 2012 and 2013	2,000,000,000	20,000

	Number of shares of HK$0.01 each	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2012	1,027,000,000	10,270	9,439
Issue of new ordinary shares			
– upon exercise of unlisted warrants (note (a))	41,000,000	410	333
– upon conversion of convertible notes (note (b))	7,678,000	77	63
At 31 December 2012 and 1 January 2013	**1,075,678,000**	**10,757**	**9,835**
Issue of new ordinary shares			
– upon exercise of unlisted warrants (note (a))	**72,482,000**	**725**	**572**
At 31 December 2013	**1,148,160,000**	**11,482**	**10,407**

35. SHARE CAPITAL (Continued)

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

Notes:

(a) Issue of new ordinary shares upon exercise of unlisted warrants

During the year ended 31 December 2013, 3,000,000 (2012: 9,000,000) new ordinary shares of the Company of HK$0.01 were issued upon the exercise of 3,000,000 (2012: 9,000,000) unlisted warrants at an exercise price of HK$1.82 per share.

During the year ended 31 December 2013, 30,000,000 (2012: 32,000,000) new ordinary shares of the Company of HK$0.01 were issued upon the exercise of 30,000,000 (2012: 32,000,000) unlisted warrants at an exercise price of HK$2.65 per share.

During the year ended 31 December 2013, 39,482,000 (2012: Nil) new ordinary shares of the Company of HK$0.01 were issued upon the exercise of 39,482,000 (2012: Nil) unlisted warrants at an exercise price of HK$1.95 per share.

(b) Issue of new ordinary shares upon conversion of convertible notes

During the year ended 31 December 2012, 7,678,000 new ordinary shares of HK$0.01 each were issued upon the conversion of the convertible notes with an aggregate amount of HK$22,765,000 (equivalent to approximately RMB18,697,000) at a conversion price of HK$1.95 per share.

All the new shares issued during the year ended 31 December 2013 rank pari passu in all respects with the then existing ordinary shares of the Company.

36. UNLISTED WARRANTS

(a) Unlisted warrants issued on 7 June 2011

On 7 June 2011, the Company entered into a placing agreement with the placing agent which was an independent third party of, pursuant to which, the Company issued 40,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$1.82 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilized by the Group as its general working capital and to finance the proposed acquisitions of the LED lighting business.

During the year ended 31 December 2013, 3,000,000 (2012: 9,000,000) new ordinary shares of HK$0.01 each of the Company were issued, in accordance with the terms of the relevant warrants instrument, for cash at a subscription price of HK$1.82 per share, representing a discount ranged from 37.46% to 37.88% (2012: 35.92% to 39.93%) to the closing market prices of the Company's shares on the respective issue dates. The proceeds used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant warrants instrument, under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 11 May 2011 and rank pari passu with the existing ordinary shares in issue in all respects. On 6 June 2013, all the remaining unexercised 1,000,000 unlisted warrants lapsed.

(b) Unlisted warrants issued on 15 February 2012

On 15 February 2012, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 140,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$2.65 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilized by the Group as its general working capital and as funds to reduce the liabilities of the Group.

36. UNLISTED WARRANTS (Continued)

(b) Unlisted warrants issued on 15 February 2012 (Continued)

During the year ended 31 December 2013, 30,000,000 (2012: 32,000,000) new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant warrants instrument, for cash at a subscription price of HK$2.65 per share, representing a discount ranged 8.93% to 30.26% (2012: 8.30% to 11.07%) to the closing market prices of the Company's shares on the respective issue dates. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant warrants instrument, under the general mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 19 August 2011 and rank pari passu with the existing ordinary shares in issue in all respects. At 31 December 2013, there are 78,000,000 (2012:108,000,000) unlisted warrants outstanding, of which, 23,000,000 unlisted warrants were exercised by the warrant holders and all the remaining unexercised 55,000,000 unlisted warrants were lapsed on the expiry date in accordance with the warrants instrument as detailed in note 45(c) and (b) below, respectively.

(c) Tranche 1 Unlisted Warrants issued on 7 December 2012

As disclosed in note 29, on 7 December 2012, the Company issued 89 Tranche 1 Unlisted Warrants, as part of the consideration for the extinguishment of the then outstanding convertible notes, which entitle their holders to subscribe for a total of 29,666,637 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$3.00 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 1 Unlisted Warrants are exercisable at any time during the period commencing from 7 December 2013 to 6 December 2017.

During the year ended 31 December 2013, no Tranche 1 Unlisted Warrant was exercised to subscribe for shares of the Company and there are 89 (2012: 89) Tranche 1 Unlisted Warrants outstanding at the end of the reporting period.

(d) Tranche 2 Unlisted Warrants issued on 7 December 2012

As disclosed in note 29, on 7 December 2012, the Company issued 88 Tranche 2 Unlisted Warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the year ended 31 December 2013, 39,482,000 (2012: Nil) new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant warrants instrument, for cash at a subscription price of HK$1.95 per share , representing a discount ranged 32.76% to 49.09% (2012: N/A) to the closing market prices of the Company's shares on the respective issue dates. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant warrants instrument, under the specific mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 5 December 2012 and rank pari passu with the existing ordinary shares in issue in all respects. At 31 December 2013, there are 11 (2012: 88) Tranche 2 Unlisted Warrants outstanding, which were fully exercised subsequent to the end of reporting period as referred to the note 45(a) below.

In the opinion of the directors of the Company, based on the terms of the respective unlisted warrants instruments, the exercise option rights of the above unlisted warrants will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument (i.e. ordinary shares of the Company) and therefore, the above unlisted warrants have been recognised in equity at the fair value of unlisted warrants at the issue date. The warrant reserve will be transferred to share capital and share premium account upon the exercise of the relevant unlisted warrants.

37. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium RMB'000 (note (a))	Warrant reserve RMB'000 (note (c))	Special reserve RMB'000 (note (e))	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	653,403	526	84,516	–	(71,642)	666,803
Issue of unlisted warrants (note 36(b), (c) and (d))	–	88,050	–	–	–	88,050
Issue of new shares:						
– upon exercise of unlisted warrants (note (35)(a))	83,552	(1,651)	–	–	–	81,901
– upon conversion of convertible notes (note (35)(b))	18,634	–	–	–	–	18,634
Loss for the year	–	–	–	–	(82,869)	(82,869)
Exchange difference on translation of financial statements	–	–	–	(498)	–	(498)
Total comprehensive loss for the year	–	–	–	(498)	(82,869)	(83,367)
At 31 December 2012 and 1 January 2013	**755,589**	**86,925**	**84,516**	**(498)**	**(154,511)**	**772,021**
Issue of new shares:						
– upon exercise of unlisted warrants (note (35)(a))	**171,615**	**(45,234)**	**–**	**–**	**–**	**126,381**
Reclassification adjustment upon disposal of subsidiaries			**(84,516)**		**84,516**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**(193,172)**	**(193,172)**
Exchange difference on translation of financial statements	**–**	**–**	**–**	**(17,152)**	**–**	**(17,152)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(17,152)**	**(193,172)**	**(210,324)**
At 31 December 2013	**927,204**	**41,691**	**–**	**(17,650)**	**(263,167)**	**688,078**

Notes:

(a) Share premium
The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

(b) Capital reserve
Capital reserve represents the excess of the consolidated net assets acquired in the subsidiaries over the consideration paid for their acquisition. Upon the disposal of Huawei Group Holdings Limited and its subsidiaries, as set out in note 39, the balance of capital reserve was transferred to accumulated losses as a reserve movement in the equity during the year.

(c) Warrant reserve
Warrant reserve represents the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to share capital and share premium account upon exercise of unlisted warrants.

37. RESERVES (Continued)

Notes: (Continued)

(d) Other reserve

At 31 December 2013, the balance of the other reserve represented the gain arising from acquisition of additional 10% equity interest in a subsidiary from its non-controlling interest during the year ended 31 December 2013. The other special reserve brought forward from prior years represented the deemed distribution to the non-controlling interest of a subsidiary from whom the Group acquired additional 40% equity interest in that subsidiary in 2011. Upon the disposal of Huawei Group Holdings Limited and its subsidiaries, as set out in note 39, the balance of other reserve brought forward from prior years was transferred to accumulated losses as a reserve movement in the equity during the year.

(e) Special reserve

Special reserve represents the difference between the net assets of Huawei Group Holdings Limited and its subsidiaries acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares in a group reorganization in the prior years. Upon the disposal of Huawei Group Holdings Limited and its subsidiaries, as set out in note 39, the balance of special reserve was transferred to accumulated losses as a reserve movement in the equity during the year.

(f) Statutory reserve

The statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of the profit after taxation of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate reserve amount exceeded 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.

(g) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 3(z).

(h) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to owners of the Company was RMB664,037,000 (2012: RMB685,594,000). The funds in the share premium account are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

The Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2013 and 2012 were as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Bank loans	**3,324**	285,303
Loan from a former director	**–**	96,264
Promissory notes payable	**–**	15,145
Obligations under finance leases	**1,090**	–
Bonds payable	**65,283**	58,343
Total debt	**69,697**	455,055
Less: Cash and cash equivalents	**(42,520)**	(65,116)
Net debt	**27,177**	389,939
Total equity	**810,086**	989,473
Gearing ratio	**3.4%**	39.4%

37. RESERVES (Continued)

Notes: (Continued)

(i) Capital management (Continued)

The directors of the Company have made due care and considerations concerning the appropriateness of the going concern in light of the Group's current financial position. After having taken into account of the cash flow forecast of the Group for a period of eighteen months from 1 January 2014 to 30 June 2015, in the opinion of the directors of the Company, the Group will be able to continue its business as a going concern.

Neither the Company nor any of it subsidiaries are subject to externally imposed capital requirements.

38. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) During the year ended 31 December 2013, the Group acquired a further 10% equity interest in Giga-World Industry Company Limited, increasing its interest from 50% to 60% by acquiring the non-controlling interests for a consideration of HK$20,000,000 which was satisfied by the issue of a promissory note at fair value of HK$18,480,000. The difference of approximately RMB12,344,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest had been credited to other reserve.

(b) During the year ended 31 December 2013, the Group acquired a further 30% equity interest in U Young Technology Holdings Limited, increasing its interest from 70% to 100% by acquiring the non-controlling interests for a consideration of HK$50,000,000 which was satisfied by the issue a promissory note at fair value of HK$46,041,000. There was no difference between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest.

39. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries – 2013

On 17 June 2013, the Group disposed of the entire interest in Huawei Group Holdings Limited and its subsidiaries (the "Huawei Group") to the former executive director and a substantial shareholder of the Company, Mr Yan Qixu, based on the disposal agreement made on 23 April 2013.

(i) The net assets of Huawei Group on the date of disposal were as follows:

	RMB'000
Property, plant and equipment	185,632
Lease prepayments	3,717
Inventories	103,051
Trade and bills receivables	112,898
Other receivables and prepayments	86,147
Amount due from a related company	34,227
Restricted bank deposits	129,004
Cash at banks and in hand	14,810
Bank loans	(272,685)
Trade and bills payables	(240,798)
Other payables and accruals	(66,418)
Amounts due to a former director	(1,178)
Amount due to a related company	(9,228)
Amount due to a shareholder	(144)
Income tax payable	(293)
Net assets disposal of	78,742

39. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of subsidiaries – 2013 (Continued)

(ii) Gain on disposed of subsidiaries

	RMB'000
Consideration received	**94,752**
Net assets disposed of (note (i) above)	**(78,742)**
Exchange reserve realised upon disposal	**(2,020)**
Gain on disposal (note 10(a))	**13,990**

The gain on disposal is included in the loss for the year from discontinued operation.

Net cash outflow arising from disposal of subsidiaries

	RMB'000
Consideration	**–**
Less: Bank balances and cash disposed of	**(14,810)**
	(14,810)

Loan from a former director was applied to set off the consideration for the disposal.

(b) Disposal of subsidiaries – 2012

As referred to in note 10 (b), on 18 December 2012, the Group discontinued the chip type electronics components operation and aluminum electrolytic capacitors operation in Southern China when the Hai Te Wei Group and the Tong Tai Group were disposed of to an independent third party at the consideration of HK$80,000,000 (equivalent to approximately RMB65,024,000) based on an agreement entered into between Huawei Group Holdings Limited and the buyer on 14 December 2013.

(i) The net assets of the Hai Te Wei Group and the Tong Tai Group at the date of disposal were as follows:

	Hai Te Wei Group 2012 RMB'000	Tong Tai Group 2012 RMB'000	Total 2012 RMB'000
Property, plant and equipment	29,132	15,918	45,050
Lease prepayments	14,758	–	14,758
Inventories	55,172	29,782	84,954
Trade and bills receivables	5,747	18,218	23,965
Other receivables and prepayments	551	887	1,438
Amount due from a related company	90	–	90
Cash at banks and in hand	541	318	859
Trade and bills payables	(6,983)	(3,452)	(10,435)
Other payables and accruals	(11,592)	(2,369)	(13,961)
Amounts due to related companies	–	(50,229)	(50,229)
Amount due to a director	(150)	(2)	(152)
Bank loans	(29,835)	–	(29,835)
Deferred tax liabilities	(5,082)	–	(5,082)
Net assets disposal of	52,349	9,071	61,420

39. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries – 2012 (Continued)

(ii) Gain on disposal of subsidiaries

	RMB'000
Consideration received	65,024
Net assets disposed of (note (i) above)	(61,420)
Exchange reserve realised upon disposal	61
Gain on disposal (note 10(b))	3,665

The gain on disposal is included in the loss for the year from discontinued operations.

Net cash inflow/outflow arising from disposal of subsidiaries

	RMB'000
Consideration received	65,024
Less: Bank balances and cash disposed of	(859)
	64,165

40. PLEDGED ASSETS

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Property, plant and equipment (note 16(b))	**–**	31,170
Restricted bank deposits (note 24(b))	**12,170**	42,504
	12,170	73,674

41. OPERATING LEASE COMMITMENTS

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**5,204**	5,087
In the second to fifth year, inclusive	**2,482**	6,791
	7,686	11,878

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

42. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had following capital commitments:

	The Group	
	2013	2012
	RMB'000	RMB'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**5,010**	8,076
– Acquisition of equity interest in a joint venture (note 45(d))	**351,360**	–

At 31 December 2013 and 2012, the Company did not has any material capital commitment.

43. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2013 and 2012, the directors are of the view that the following are related parties of the Group and the Company:

Name of the party	**Relationship**
Li Wing Sang	Executive director
Liu Xinsheng	Executive director
Yan Qixu	Former executive director of the Company
Changzhou Huawei Reflective Material Company Limited ("Reflective Material")	Mr. Yan Qixu is a common director and controlling shareholder
江蘇華威世紀電子集團有限公司	Mr. Yan Qixu is a common director
Enercon Capacitor Company Limited	Mr. Guan Zhilong, a former director of Changzhou Dayou Electronic Company Limited which was disposed during the year ended 31 December 2012, is director and controlling shareholder
深圳吉泰龍電子有限公司	Mr. Guan Zhilong, a former director of Changzhou Dayou Electronic Company Limited which was disposed during the year ended 31 December 2012, is director and controlling shareholder
江蘇國瑞科技股份有限公司	Mr. Yan Qixu is the legal representative
深圳市億博睿電子有限公司	A company controlled by 歐陽俊, a director of Shenzhen Chong Zhen Electronics Technology Company Limited
深圳市大正科技有限公司	A company controlled by 歐陽俊, a director of Shenzhen Chong Zhen Electronics Technology Company Limited
深圳市藍田偉光電子有限公司	A company controlled by 皮德權, a director of Jiangxi Lantian Wei Guang Technology Company Limited

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related companies

	The Group 2013 RMB'000	2012 RMB'000
Sale to:		
深圳市吉泰龍電子有限公司	–	1,150
Enercon Capacitor Company Limited	–	20,436
深圳市億博睿電子有限公司	**89**	6,234
Purchase from:		
深圳市億博睿電子有限公司	**103**	219
江蘇國瑞科技股份有限公司	–	11,594

The outstanding balances arising from the above trading transactions were included in "Trade and bills receivables" and "Trade and bills payables" at the end of the reporting period respectively.

(b) Amounts due to related companies

	The Group 2013 RMB'000	2012 RMB'000
江蘇華威世紀電子集團有限公司	–	32,573
Changzhou Huawei Reflective Material Company Limited	–	4,457
江蘇國瑞科技股份有限公司	–	5,851
深圳市億博睿電子有限公司	–	7
	–	42,888

The amounts due were non-trade nature, unsecured, interest-free and repaid during the year.

(c) Amount due to a former director

	The Group 2013 RMB'000	2012 RMB'000
Yan Qixu	–	1,178

The amount due was non-trade nature, unsecured, interest-free and repaid during the year.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Amount due to a director

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Li Wing Sang	**571**	585	**305**	312

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

(e) Amount due to a former shareholder

	The Group	
	2013	2012
	RMB'000	RMB'000
Tong Heng Company Limited	**–**	144

The amount due was non-trade nature, unsecured, interest-free and repaid during the year.

(f) Loan from a former director

Loan from a former director of the Company, Mr. Yan Qixu, was unsecured, interest-free and repayable on 31 January 2014. On 31 December 2012, Mr. Yan Qixu had entered into a letter of undertaking with the Company such that Mr. Yan Qixu agreed to further extend the repayment date from 31 January 2013 to 31 January 2014. During the year, the loan from the former director was applied to set off the consideration for the disposal of Huawei Group as referred to in note 10(a).

(g) Amounts due from subsidiaries

	The Company	
	2013	2012
	RMB'000	RMB'000
LEDUS Group Limited	**15,888**	7,618
Big Success International Investment Limited	**20**	–
Champion Miracle Limited	**7**	–
Da Zhen (Hong Kong) Holdings Limited	**488**	–
Giga-World Industry Company Limited	**5,377**	–
SunTech Lighting Technology Company Limited	**4**	–
SunTech Resources Group Company Limited	**2,468**	2,536
U Young Technology Holdings Limited	**34,186**	8,423
Wei Guang Holdings Limited	**3,949**	3,935
Tecoda Limited	**10,822**	2,688
Meeting (Hong Kong) Holdings Limited	**39**	40
LEDUS Lighting Technology Limited	**20,742**	22,575
Energy First International Limited	**1,799**	1,848
Less: Impairment loss	**(2,307)**	(2,428)
	93,482	47,235

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(h) Amounts due to subsidiaries

	The Company 2013 RMB'000	2012 RMB'000
SunTech Holdings Limited	**46**	55
Giga – World Industry Company Limited	**–**	14,272
	46	14,327

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

(i) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as referred to in note 11 and certain of highest paid employees as disclosed in note 12, is as follows:

	The Group 2013 RMB'000	2012 RMB'000
Short-term employee benefits	**4,393**	3,328
Post-employment benefits	**58**	33
	4,451	3,361

44. CONTINGENT LIABILITIES

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

At 31 December 2013 and 2012, the Company did not has any material contingent liabilities.

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2014 and 17 January 2014, the Company issued 4,102,000 and 1,538,000 ordinary shares respectively upon exercise of 11 Tranche 2 Unlisted Warrants by a warrant holder at a subscription price of HK$1.95 per share in accordance with the terms of the relevant warrants instrument as further detailed in note 36(c).

(b) On 14 February 2014, all the remaining unexercised 55,000,000 unlisted warrants, issued on 15 February 2012, were lapsed.

(c) On 18 February 2014, the Company issued 23,000,000 ordinary shares upon exercise of 23,000,000 unlisted warrants by the warrant holders on 14 February 2014, at a subscription price of HK$2.65 per share in accordance with the terms of the relevant warrants instrument, which were issued on 15 February 2012, as further detailed in note 36(b).

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) On 24 March 2014, the Group completed the acquisition of 50% equity interest in Shanghai Fuchao Investment Company Limited ("Shanghai Fuchao") at an aggregated consideration of HK$450 million (equivalent to RMB351,360,000), comprising HK$40 million (equivalent to RMB31,323,000) in cash, HK$270 million (equivalent to RMB210,816,000) in convertible notes and HK$140 million (equivalent to RMB109,312,000) in consideration shares of the Company, based on the sale and purchased agreement dated 27 November 2013 made with an independent third party. Shanghai Fuchao, which is principally engaged in sub-leasing of a property in Shanghai, the PRC, will be treated as a joint venture and will be accounted for using equity method. The acquisition was to broaden the source of revenue and diversify the business of the Group.

Details of the latest unaudited assets and liabilities of Shanghai Fuchao at the completion date and financial impacts of the acquisition, provisionally determined, are set out below:

	Provisional fair value on acquisition RMB'000
Fair value of net assets acquired:	
Prepaid lease payments	892,479
Property, plant and equipment	547
Financial assets available for sale	24,165
Accounts and other receivables	49,459
Prepayments	4,000
Cash in banks	45,188
Other payables	(1,198)
Deferred tax liabilities	(223,120)
Total identified net assets	791,520
Net assets attributable to the Group	395,760
Excess of the share of net assets acquired over the fair value of consideration paid	(59,575)
Total consideration paid	336,185

	HK$'000
Fair value of consideration:	
Cash	40,000
New ordinary shares issued	131,673
Convertible notes issued	252,857
Total consideration paid	424,530

	RMB'000
	336,185

The provisional fair value for the prepaid lease payments for the leasehold property under the long-term lease agreement was provisionally determined by the directors of the Company with reference to a valuation performed by Peak Vision, who amongst their staff have members of the Hong Kong Institute of Surveyors with recent experience in the asset being valued.

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) (Continued)

33,849,129 new ordinary shares of HK$0.01 each of the Company were issued and the fair value of these consideration shares amounted to HK$131,673,000 based on the closing price of HK$3.89 of the Company's shares at the date of completion on 24 March 2014. The provisional fair value of the convertible notes of HK$252,857,000 at the issue date was provisionally determined by the directors of the Company with reference to the preliminary valuation performed by Peak Vision.

The initial unaudited accounting for the acquisition of 50% equity interest of Shanghai Fuchao involves identifying and determining the fair values to be assigned to the identifiable assets (including intangible assets), liabilities and contingent liabilities (if any). However, the identification and determination of the fair values of identifiable assets (including intangible assets), liabilities and contingent liabilities, if any, could only be performed provisionally and pending finalisation as at the date of approval of these financial statements. Hence, the carrying amounts of the assets (including intangible assets), liabilities, contingent liabilities (if any) and goodwill or the excess of the share of the net assets acquired over the fair value of the consideration paid as listed above may be subject to further changes upon finalisation of their fair values by experts and therefore, the allocation of the purchase consideration is subject to adjustment.

46. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[2]

1 effective for annual periods beginning from 1 January 2014
2 available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

47. COMPARATIVE FIGURES

As a result of the application of HKFRS 5 "Non-current assets held for sale and discontinued operations" certain comparative figures were restated so as to present the results for the continuing operations and discontinued operation.

GROUP FINANCIAL SUMMARY

	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000	2009 RMB'000
Results					
Continuing operations					
Turnover and revenue	**167,210**	303,629	411,981	422,996	314,596
Operating (loss)/profit	**(245,868)**	(39,799)	(22,278)	(35,026)	14,416
Finance costs	**(9,760)**	(22,528)	(33,362)	(9,593)	(6,722)
(Loss)/profit before taxation	**(255,628)**	(62,327)	(55,640)	(44,619)	7,694
Discontinued operations					
Loss of the year	**(6,808)**	(68,875)	–	–	–
Income tax credit/(charge)	**5,276**	3,561	3,234	(1,197)	(1,535)
(Loss)/profit for the year	**(257,160)**	(127,641)	(52,406)	(45,816)	6,159
Attributable to:					
Owners of the Company	**(245,528)**	(119,675)	(48,779)	(45,718)	6,159
Non-controlling interests	**(11,632)**	(7,966)	(3,627)	(98)	–
(Loss)/earnings per share					
From continuing operations and discontinued operations					
– Basic and diluted	**(22.26 cents)**	(11.33 cents)	(5.59 cents)	(6.10 cents)	1.00 cents
From continuing operations					
– Basic and diluted	**(21.64 cents)**	(4.81 cents)	(5.59 cents)	(6.10 cents)	1.00 cents
From discontinued operations					
– basic and diluted	**(0.62 cents)**	(6.52 cents)	–	–	–

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Assets and liabilities					
Non-current assets	**819,661**	1,271,617	1,416,296	209,728	148,267
Current assets	**288,065**	647,582	611,151	496,386	454,523
Current liabilities	**(147,907)**	(608,953)	(562,927)	(457,296)	(321,468)
Total assets less current liabilities	**959,819**	1,310,246	1,464,520	248,818	281,322
Non-current liabilities	**(149,733)**	(320,773)	(534,702)	(5,243)	–
Net assets	**810,086**	989,473	929,818	243,575	281,322
Capital and reserves					
Share capital	**10,407**	9,835	9,439	7,140	7,140
Reserves	**628,702**	733,533	666,283	228,533	274,182
Equity attributable to owners of the Company	**639,109**	743,368	675,722	235,673	281,322
Non-controlling interests	**170,977**	246,105	254,096	7,902	–
Total equity	**810,086**	989,473	929,818	243,575	281,322